

1962

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IN THE COURT OF THE TRANSPORT TRIBUNAL

IN THE MATTER OF THE APPLICATION (1962 No. 2) MADE BY
THE BRITISH TRANSPORT COMMISSION IN PURSUANCE
OF SECTION 23 (5) OF THE TRANSPORT ACT, 1953

FOR THE ALTERATION OF THE BRITISH TRANSPORT COMMISSION (PASSENGER) CHARGES SCHEME, 1959

TUESDAY, 19th JUNE, 1962

THIRD DAY



LONDON: HER MAJESTY'S STATIONERY OFFICE

1962

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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

TUESDAY, 19th JUNE, 1962

PRESENT:

SIR HUBERT HULL, C.B.E. (*President*)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. T. R. CRAWFORD (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. R. W. GOFF, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council.

Mr. S. H. NOAKES (instructed by Mr. W. O. Dodd) appeared on behalf of County Borough Councils of Brighton, Eastbourne, Hastings and the Borough of Worthing.

Mr. D. COLLARD (instructed by Mr. E. R. Farr) appeared on behalf of Barking Borough Council and South Essex Traffic Advisory Committee.

Mr. E. A. MACHIN (instructed by Mr. D. Heap, Comptroller and City Solicitor) appeared on behalf of the Corporation of London.

Mr. P. M. VINE, Deputy Town Clerk, appeared on behalf of the County Borough of Southend-on-Sea.

Mr. B. SLATER, appeared on behalf of the County Borough of West Ham.

Mr. F. H. B. CLOUGH, appeared on behalf of Middlesex County Council.

Mr. L. F. N. INNES, appeared on behalf of Surrey County Council.

Mr. J. LANGLEY, appeared on behalf of Leyton Borough Council.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

(*Mr. Fay*): Before I recall Mr. Winchester for cross-examination may I mention for the convenience of all of us one or two outstanding matters.

Firstly, the document for which the Tribunal asked relative to Mr. Dickson's evidence has been prepared and circulated, and I believe a copy is before the Tribunal. It is exhibit AD 1. That was handed to the Tribunal during the recess.

Secondly, while I am on Mr. Dickson's evidence I might perhaps mention that the question having arisen during his evidence in chief about travel in relation to Sutton Coldfield, he has made the necessary enquiries (although the Tribunal, I think, were trying to dissuade him). It is a simple figure. There are five stations in the Borough of Sutton Coldfield and the comparative figures as between January 1961 and January 1962 are that journeys in 1961 between those five stations within the Borough were 9,373; in January of this year there were 9,178—a drop of 2.1 per cent, which perhaps bears out what Sutton Coldfield were saying so far as journeys are concerned. On the other hand the receipts in January 1961 were £301, and in January of this year they were £306—an increase of 21 per cent.

Those are the factors from which perhaps both sides can obtain comfort. The reference in the transcript where the matter was raised is Day 2, page 27, questions 233 to 236.

The next matter is that the London County Council have made a request for a number of supplementary documents according to a pattern which has prompted their requests in the past. That request has been complied with and they have been furnished with the appendices to RMR showing the yield and the split of the yield between various types of fares. I think they have the documents; the copies which I was proposing to hand to the Tribunal at this stage I do not think are in Court at the moment but are on their way.

In addition to the supplements (following the customary pattern) to RMR 8, they have also been asking for, and have been furnished with, a document, C1, which is an analysis of passenger journeys, and a document C2, which is an analysis of the receipts at each fare category. They have also asked for a document setting out the weekly budget for 1962 in its original form.

You will remember that the budget appearing week by week in exhibit RMR 4 at page 40 was necessarily adjusted in respect of the two fare increases which have taken place this year in order that the receipts might be compared with an accurate forecast, but the original figures are set out on a document which we have called RMR 4A, and that is in the possession of the London County Council and will, I hope, shortly be handed to the Tribunal.

While I am mentioning the budget week by week may I give the figures for two more actual weeks which may perhaps be conveniently written into the exhibit, which is at Day 2, page 40.

The week ended June 3rd: The actual receipts were £1,775,000; deviation from budget, plus £20,000 or plus 1.1 per cent. Cumulative figure: Receipts, £37,222,000; deviation from budget, minus £118,000 or minus 0.3 per cent. The next week—ending June 10th: Actual receipts, £1,812,000; deviation, plus £47,000 or plus 2.7 per cent. Cumulative figure: Receipts, £39,034,000; deviation, minus £71,000 or minus 0.2 per cent.

Here, halfway through the year, we are almost exactly on the target. Perhaps I may help (without any instructions about it) that the fine Whitsun may have turned the minuses into pluses. That is the budget.

Then the London County Council have also asked my clients to give—and we gladly do—the average length of season ticket journeys in London. This is a figure comparable with that given by Mr. Dickson in respect of British Railways outside London which he said was 21 miles. The answer is, the average length of season ticket journey on the railways of London Transport is 9 miles, and on the London Lines of British Railways 13 miles.

The last matter is that when Mr. Robbins was going through his document RMR 8 it became apparent that the document lumped together both the yields which were the subject of this Application and those which were made within existing powers; that seemed to us to be likely to be productive of some confusion if it were not set out with whatever clarity we possessed, and accordingly a supplementary document has been prepared, which is the one which I think has been put before you this morning—a supplement to RMR 8—which simply disintegrates the figures of gross and discounted yield in different categories

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[Continued]

according to whether they are in column A, within the existing powers, or in column B, the subject of this Application.

One last word: The corrigenda will be collated for the purpose of this Inquiry by my learned junior Mr. Crawford, and if anyone has any corrigenda to present would he be good enough to let him know. The Short-handwriters do their usual job, which always fills me with amazement and admiration; I did however notice that at one stage my rapid diction led the shorthandwriter to attribute something to me which I think I should put right because it verges on Contempt of Court as it stands.

It is at page 1, column 1, where I was making a short reference to the history of these Inquiries and I was mentioning the fact that you, Sir, had presided over all except the first scheme; but it appears in the second paragraph in that column as though I were say "I find I have presided over all except the first one"; it should of course be "you, I find, have presided."

Now may I recall Mr. Winchester?

(President): Before you do that, if we were to amend the scheme of our own motion so as to reduce the Aylesbury journey to an Amersham journey, in the case of making a journey from London to Aylesbury the effect would be to increase the maximum fare charge?

(Mr. Fay): No, I think the fares on the Metropolitan Line from London (I think from Harrow) to Amersham and Aylesbury have always been, both before, and now under the schemes, the care of British Railways.

(President): I may say at once that if the result of the change would be to enable the British Transport Commission to charge a higher fare for the journey from London to Aylesbury we should not in any circumstances make a change of our own motion.

(Mr. Fay): I can well understand that; that would have to be the subject of an Application.

(President): Do not bother about it now. I thought, looking at it rather roughly, that that was what the effect would be.

(Mr. Fay): It may be. My recollection is that that section came under British Railways. I am looking at the second schedule to the existing scheme which provides for the ordinary fares on the underground, and it is expressed to apply firstly to the London, Tilbury and Southend Line, and secondly to London Transport Executive Railways other than Harrow-on-the-Hill and Aylesbury and the Watford and Chesham Branches.

(President): That is London Transport charging power?

(Mr. Fay): Yes.

(President): Will that extend beyond Amersham?

(Mr. Fay): The London Transport charging power has hitherto extended to Aylesbury but its charging powers had been those of British Railways.

(President): We are delaying Mr. Winchester. If there is any danger of the maximum being more, we shall not allow it.

(Mr. Fay): I fully appreciate that.

(President): No doubt the Minister will take account of the London Transport change.

(Mr. Fay): I am obliged. May I now recall Mr. Winchester?

(Mr. Goff): There are certain tables I wanted to put to Mr. Winchester which I find are not immediately ready and will not be ready until later in the day. I would ask if I might proceed with the cross-examination of this witness so far, and then interpose with Mr. Evershed and then return to Mr. Winchester.

(President): Would you prefer to begin with Mr. Evershed?

(Mr. Fay): Mr. Evershed seems to be signifying assent to the proposal.

(Mr. Goff): I should get much further with Mr. Evershed.

MR. ARNOLD GODFREY EVERSLED, recalled

Cross-examined by MR. CRAWFORD

545. My learned friend described this as a holding operation; would you embrace that view—would you say that this present Application might be fairly described as a holding operation?—Yes.

546. In a holding operation, should not one direct one's mind to the actual year 1962 and see what one should do with that, and not, as one has done on previous occasions, deal with what has been described as a future year?—No, I do not see that the calendar year is any more appropriate as a basis for a holding operation than a future year.

547. Is not the object of a holding operation to tied one over until the new Bill has become an Act and the decisions of figures have been made by the Minister and one can then proceed on the new basis?—Certainly, but the future year reflects only facts which are known to us already.

548. It does not, does it, because the Central Charges may increase in a future year and you get questions of the full effect of wages increases instead of the partial effect if they come into operation during the year, and you get full yields instead of partial yields; so the future year is different from the actual year?—Yes, to the extent that we know the facts to-day they are fully reflected in the future year.

549. Then I suggest all you want to do on a holding operation is to see that you will be able to stand up financially to the end of the current year and then you can make your appropriate arrangements under the new scheme; would you accept that view?—No.

550. But if it is a holding operation would you accept the view that one ought not, unless one was compelled to do so, to make changes of a highly controversial nature in the scheme of charges—in the principle?—Yes, I accept that.

551. Is not the deletion of the charge for 1½ and 2½ miles for stages just such a change?—Not in my view.

552. Has not controversy raged for some time because the London County Council has always advocated and insisted upon half-mile and single stage charging?—They have always expressed a desire for some degree, large or smaller, of single stage charging.

553. We fought a great battle about that last time, did we not? It was one of the counter proposals put up by the Objectors.

554. And persisted in at great length; I cross-examined for a long time to show it was practicable.—There was a lot of discussion to that end, yes.

555. You remember Mr. Harbour, I think it was, was saying it was not practicable on the job because the conductor could not get round the bus or because he had to memorise more fares?—Mr. Harbour said that, yes.

556. And I cross-examined him at great length to show he was wrong, did I not?—Yes, you did.

557. Also he said it was not practicable on the Railways because of the difficulty with adjusting the ticket machines?—That was one of the difficulties, yes.

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[Continued]

558. We had a great battle about that too; people went off to see how many machines there were at Oxford Circus and where they were placed?—Yes.

559. The London Transport Executive on the contrary produced at a late stage an exhibit showing the numbers of machines they had and how they were allocated to the different ranges?—Yes.

560. That went on for a very long time.—No doubt it fully recorded that evidence; I cannot remember for how long it went on.

561. Now that I have reminded you of that, would you not agree that this question of whether there should be half-mile or single stage charging is a matter of controversy—great and persistent controversy?—It is a controversial matter, but on the other hand single stage charging is a fairly recent innovation as far as we are concerned.

562. After great effort, we succeeded, either because our pressure was such that you had to bow to it or because for your own reasons you did so, in getting it, first at $1\frac{1}{2}$ miles and then at $2\frac{1}{2}$ miles as well; is that right?—No, I do not think you have got it to $1\frac{1}{2}$ and $2\frac{1}{2}$; that was the subject of our Application to this Tribunal.

563. $1\frac{1}{2}$ was introduced?—Yes.

564. Then $2\frac{1}{2}$ was introduced when your Application in that respect was sanctioned?—Reproduced in our Application.

565. That was the result of the pressure we had been putting upon you?—I do not think I can answer that question very well, but my own view is no, it was a scheme of increases which fitted the requirements at that time.

566. At any rate we have got you to go that far with us; we have got $1\frac{1}{2}$ and $2\frac{1}{2}$ put in, whether you did it because you thought it was a good idea or whether you did it because we pressed for it; we pressed for it and we got that far with it—you would accept that?—I would accept the latter part of your statement; I would not accept the first part.

567. In a holding operation, I suggest that to wipe it out altogether is just what ought not to be done.—Not in my view.

568. Is not that making a controversial change in a holding operation?—No.

569. Returning the Central Charges, I suggest to you that the proper figure for London Transport's contribution to Central Charges for 1962 is of the order of £6.5m. or £6.6m.; that is a lower figure than you are suggesting? Yes, it is, by £0.9m.

570. Would you accept that?—No.

(President): We had better be clear in what sense we are using the expression Central Charges; I understand the sense you are using it in to be not merely an interest charge but what is generally called administration charges as well?

571. (Mr. Goff): The item Total Central Charges which appears in AE 3 as £7.3m. (To the witness): That exhibit, which throws up Total Central Charges for 1962 of £7.3m. is exactly the same in principle as the exhibit which you put forward last time, AE 5, which can be found at page 44 of the previous transcript?—Yes.

572. It differs from the old AE 5 because you revised the figures for 1960, 1961 and 1962 in the light of the further information which you now have which you did not have when AE 5 was prepared; is that right?—Yes.

573. The method of calculation and the principle on which it proceeds is precisely the same in both cases?—Yes.

574. And therefore the accuracy of the answer £7.3m. depends on the accuracy of £6m. which you take as the contribution to Central Charges as adopted for 1958 into 1959?—It depends, amongst other things, on the accuracy of the starting figure of £6m. for 1958.

575. It depends fundamentally on that, because the object of the exercise is to project that figure forward through the years reflecting the charges in the different years, but it is all based upon that starting figure of £6m.?—Yes.

576. If that starting figure of £6m. were substantially too high the answer £7.3m. would be likewise substantially too high?—Providing the rest of the figures and calculations were correct, the final figure would be too high to the extent that the £6m. was too high.

577. You are not suggesting that there is anything wrong with your calculation of figures in AE 3, are you?—No.

578. If I satisfied the Tribunal that the £6m. was too high, and that was accepted, you would be forced to agree, would you not, that the £7.3m. must be too high?—Yes.

579. That £6m. was based on a figure put forward by Sir Reginald Wilson?—Originally I suppose it was based on a figure put forward by Sir Reginald Wilson, yes.

580. And I think those on this side of the Court have described that from time to time as Sir Reginald Wilson's guess?—You may have described it as a guess; it was an estimate based on judgment.

581. Exactly; your answer on the other side of the Court was, as you say, it was an exercise of judgment?—Yes.

582. It was not based simply upon consideration of the ratio of capital invested in the British Transport Commission as a whole and in London, taken separately; Sir Reginald took other factors into consideration?—Yes, he applied other tests than that.

583. Such as ratio of staff?—That was one of the figures put forward at the time.

584. Ratio of premises?—Yes.

585. Is it a fact that if he had taken ratio of capital only, the figure would have been less than £6m.?—At what time?

586. When he was making his calculation for 1958 or 1959.—Sir Reginald Wilson did not make any calculations for 1958 or 1959; the figure we are talking about was put forward I think in 1954.

587. It is as old as that?—Yes.

588. Then it was a very inaccurate guide as a starting point in 1959, was it not?—It was accepted by the Tribunal.

589. That is a matter in issue. The Tribunal, we know, accepted it. Is not the true way of working out an apportionment of this nature, apart from the specific approach (which is an alternative way of getting at it), to consider the ratio of capital invested in the Commission as a whole and in London separately?—No, it would be an inaccurate method.

590. I put it to you that it is an accurate method—and a more accurate method than whatever exercise of judgment went on in Sir Reginald Wilson's mind.—I do not accept that.

591. Did not Mr. Hill calculate an apportionment on the ratio of capital in the Commission as a whole and in London separately which was put forward in 1961 at page 99?—Yes.

592. That was, tables SWH 1 and 2 of 1961?—Yes.

593. That made a starting figure for 1959 of £5.3m.—It gave a figure—not a starting figure—for 1959.

594. It gave a figure for 1959 of £5.3m.?—Yes.

595. If that was the right figure, your AE 3 calculation ought to start with £5.3m. for 1959 and not £6m.?—Yes.

596. Then the apportionment made in SWH 1 and 2 at page 99 was projected forward for the following years in SWH 8 at page 127?—Yes; it was necessary to do that then.

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[Continued]

597. And although SWH 8 differs in appearance and arrangement, it is in fact the same calculation, with the different starting figure, as your AE 3 of 1961?—Yes.

598. And accordingly if you worked out your AE 3 of 1961 starting with £5.3m. instead of £6m. you would have got the same answer, substantially, as Mr. Hill got in his SWH 8: You would have got £6.4m. or £6.5m. for 1962?—Yes, I think so.

599. When this matter was before us last time we were discussing the specific approach, which is a different mode of calculation?—Yes, using a lot of the same figures.

600. It is a different method of working out figures. The basic data must be largely common to both?—Yes.

601. While discussing the specific approach, it emerged you had two criticisms of SWH 1 and 2—small criticisms. With regard to line 10 of SWH 1, compensation of staff (page 99), do you remember saying in your view that item had no application to London or so slight an application that it ought to be omitted?—I think I said as far as I knew it had no application to London Transport and therefore was omitted.

602. The same was true of miscellaneous receipts at line 13?—No; the point there was that items corresponding with the miscellaneous receipts in line 13 are already brought into London Transport accounts in so far as they relate to London Transport.

603. And therefore they ought not to be included in this calculation?—And therefore they ought not to be included in this calculation.

604. (Mr. Goff): I am going to put to you a new table prepared for this occasion—a new SWH 1.

605. Have you got the new SWH 1?—Yes.

606. That is the same in form as the old SWH 1, is it not?—It appears to me to be so, yes.

607. It takes the figures for 1960. It is really working out SWH 1 for one more year, working it out for 1960, whereas before it was for 1958 and 1959. Do you see that the two points you raised have been corrected in this new SWH 1? We have met your points on that: at line 10 we have excluded compensation of staff and at line 13 we have excluded miscellaneous receipts.—Yes.

608. Of course the exclusion of the compensation of staff is taking away a debit and the exclusion of miscellaneous receipts is taking away a credit, so they are offsetting items and not cumulative items?—Yes.

609. They are, in any event, small.—Very.

610. Very small. Therefore I am putting to you, on the authority of Mr. Hill (who will be called) and on SWH 1, the total Central Charges at the figure of £64,581,000 calculated in accordance with this table as at 1960. Are you prepared to accept that?—It is almost exactly the figure shown for Central Charges in the Commission's accounts in one figure. I do not see the difference.

611. Do you mind repeating that answer?—It is virtually the figure shown on statement I-1 of the Commission's accounts for 1960.

612. So you would accept this table?—Yes.

613. Have you been supplied with a new SWH 2?—Yes.

614. (President): When you said it is almost the same figure as in the Commission's accounts, did you mean the Commission's accounts for 1960?—Yes.

615. Where is it almost the same; where do I find that in I-1?—Page 3, Sir, at the right-hand total column opposite the notation IV.5a.

616. I thought you said I-1, you meant IV, did you?—No, it is I-1, page 3.

617. I see. That is after the deduction of the special account, is it not?—Yes.

618. (Mr. Goff): Turning to SWH 2, the first column of figures at 31st December, 1959; that is a copy, is it not, of the old SWH 2 at page 99 of the 1961 transcript, but making an adjustment at line 7 and line 16?—Yes.

619. That was to meet another point which was taken in 1961, was it not, that the current assets surplus or deficit ought to be brought into the capital balance in working out SWH 2?—That is not quite the point I made. The point I made was if you are going to bring in net current assets you should bring them all in or leave them all out.

620. Mr. Hill said that was a small point?—Yes.

621. And you agreed?—Yes.

622. And you do agree?—Yes.

623. He said, and you agreed, that if it were worked out it would in fact slightly lessen the contribution of London?—Something of that sort was said, yes.

624. That adjustment is now made in SWH 2 and it does, in fact, operate that way—I see the adjustment has been made; I have not had an opportunity to work out how it works.

625. On the face of it it does not appear to you to be inaccurate?—or can you not say?—No.

626. It is my fault for asking a double barrelled question. Do you mean on the face of it it is not inaccurate, or you cannot say one way or the other?

(President): He has not had time to check the figures to see whether they are all taken from the accounts.

627. (Mr. Goff): Then we have 1960. That is SWH 2 with the adjustments again at line 7 and line 16, and it brings out the figure of £2,417,000 which you see on the right-hand side of the page about two-thirds of the way down.—That is the mean of the two years, as I understand it.

628. Yes. So far have you any quarrel with those figures?—No.

629. Then mean advances; capital purposes (B.R.). That proceeds, as in the old SWH 2, at £325,000,000. Deficit British Railways, £298,000,000. Then those two are added together and taken off the £2,417,000,000, which gives you a figure, as the mean figure, of £1,794,000,000. First of all, do you see what is being done in that part of the calculation?—Line 19 puzzles me a little, Mr. Goff. If it is intended to be the mean advances, it is, in fact, equal only to the figure at the end of 1959 and, therefore, can hardly be a mean of the year 1960.

630. The figure at the end of 1959 to which you have referred was British Railways and other undertakings, was it not? For the assistance of the Tribunal and myself, may we have the reference to the £325,000,000 that you were quoting?—The figure I am quoting is the figure shown in line 19 of SWH 2.

631. I agree, but then you said that was the same as the figure shown somewhere else for 1959, and I was asking for a reference to the figure shown somewhere else.—It is described as mean advances for capital purposes British Railways. If one looks at statement I-2 of the British Transport Commission accounts for the year ended 31st December, 1960 (page 4) on the left-hand side, as being the position at the 31st December, 1959, the advances are shown as £325,160,000.

632. The figure shown on page 4 of the accounts, that £325,000,000, is not exclusively British Railways, it is advances for British Railways and other purposes, is it not?—I do not know.

633. Mr. Hill says it is. You have no information to the contrary.—It is the counterpart of the figure that was used by Mr. Hill on the last occasion in the corresponding statement to this.

634. But until 1958 there is no power to make capital advances except for British Railways; that is right, is it not?—I do not know.

635. You would not know that in 1958 the advances for purposes other than British Railways were very small, though there were some?—I would not be in possession of that information.

636. I beg your pardon: in 1958 there were no advances for purposes other than British Railways.—I would not know that either.

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[Continued]

637. In 1959 there were some, but they were slight. You would not know that either?—No.

638. And in 1960 there were substantial advances for purposes other than British Railways, but you would not know that either?—No.

639. The £325,000,000 which appears in SWH 2 is the figure of advances for British Railways only, and it is clearly coincidental that it is the same figure as the £325,000,000 for British Railways and other purposes appearing in the accounts at page 4. You would not know that?—No, but I see that it is deducted from the total capital invested in the Commission as a whole.

640. That is the way these calculations have always been worked, is it not, like taking out the cost of British Railways' modernisation. It is exactly what was done in SWH 2 of 1961; you get the deduction there.

(President): It never commended itself to me, even when it was partially followed by Mr. Winchester.

641. (Mr. Goff): At least we got Mr. Winchester to go some way with us. I hear what you say, Sir, but SWH 2 is doing the same thing as was done before. (To the witness): But you would not know, from what you have been saying, whether the figure of £325,000,000, as a figure, in SWH 2 is accurate or not?—No. All I know is that in the previous exhibit corresponding to this the whole of those advances were deducted.

642. The reason for that is that they were all British Railways whereas now some are for British Railways and some are for other purposes; but you say you do not know that—I have explained I do not know about that.

643. My case is that the £325,000,000 is a figure which has to be calculated because of these other advances; it is difficult to ascertain it exactly, but the figure of £325,000,000 would be right within £10,000 either way. But I gather it is no use asking you whether you agree with that or not because you do not know about this particular point?—That is so.

644. Then at line 22 one has the total Central Charges taken from SWH 1; that is £64.6 million. That is merely carrying it from one page to the other.—Yes. I wondered if you were going to put forward a similar explanation about line 20, Mr. Goff?

645. Would you like to say what your difficulty is about line 20?—It is not apparent to me what that figure purports to represent.

646. It is the amount of advances made by the Minister to cover British Railways' deficits at that stage. Would you know anything about that? You know that he does make advances to cover deficits?—Yes. I thought he only made advances for British Railways and for no other activity.

647. He does now, as I told you, make advances for other activities. He did not until 1959, but he does now.—I do not know about that.

648. That figure, I am instructed, is the amount of the advances then made by him to cover the deficit for British Railways. You would not know whether that is a right or a wrong figure?—No.

649. Then the apportionment at line 23 is a mere matter of mathematics, is it not?—Yes.

650. It depends on lines 9 and 21 and, therefore, it is subject to the two questions which we have been discussing on lines 19 and 20. You would not be in a position to challenge the answer of £5.5 million, would you, on this basis of working?—On that basis of working, no.

(President): But I should, because I do not agree with the Central Charges figure.

(Mr. Goff): May I ask which figure you say you do not agree with, Sir?

(President): The £64.6 million, line 22.

(Mr. Goff): May I presume to ask why?

(President): That is Central Charges after deducting the special account. I think Central Charges are chargeable even though for the time being some figures have been written on a piece of paper and called a special account.

(Mr. Goff): May I take instructions on that?

(President): Mr. Hill will not agree!

(Mr. Goff): I have taken instructions, but I think it is a matter for argument and not for cross-examination.

(President): I agree.

(Mr. Goff): Would you now turn to the new SWH 4—

(President): We are skipping SWH 3 for the moment and going on to SWH 4, are we?

651. (Mr. Goff): If you please, because that is the specific approach. (To the witness): That is applying to the figure of £5.5 million obtained for 1960 in the new SWH 2, in respect of the years 1961 and 1962, the calculation which was worked out for the year 1960, 1961 and 1962 on the starting figure of £5.3 million in SWH 8 of 1961, is it not?—Yes.

652. Just as SWH 8 of 1961 was comparable with your then AE 5 calculation, so the new SWH 4, though different in form, is comparable with your present AE 3 calculation, is it not?—I am not quite clear why you say they are different in form. It appears to be in exactly the same form.

653. I think the arrangement is rather different, but I do not mind.—It is the same table.

654. Therefore it follows, does it not, that if the figure for 1960 should be £5.5 million as shown in SWH 2, then the answer for 1962 as the contribution for Central Charges would be £6.3 million and not £7.3 million as shown in your AE 3?—That is the figure brought out in line 14.

655. If you had worked your AE 3 calculation and you had started with a figure in 1960 of £5.5 million and not, as you had it, a basic figure of £6,000,000, you would have arrived at the same answer as Mr. Hill; you would have got £6.3 million and not £7.3 million, would you not?—Yes.

656. Of course where in AE 3 you say "say" in line 12, you are just rounding off, are you not?—To the nearest half million pounds.

657. So there is no warrant for rating up the £7.3 million to £7.5 million; the only reason for doing that is to give you a complete half million pounds.—No that is not the only reason for doing that at all. The reason for doing that is that we do not claim that these figures are calculable to a degree of accuracy equal to one-tenth of a million pounds, and, therefore, it has been our practice for many years, as between ourselves and the Commission, to round a calculated figure to the nearest half million pounds—not to the nearest half million pounds upwards, but the nearest half million pounds.

658. Of course you do in fact write that up by £200,000, but you could have written it down £300,000 to £7,000,000?—Certainly.

659. Might it not be that that would be more accurate, if you had written it down to £7,000,000 instead of writing it up to £7½ million?—It would have been wrong in accordance with the procedure we have adopted.

660. But if you concede that the £7.3 million is not accurate within £100,000, it might well be that you are making it still more wrong by doing that, and that what you really ought to do to get the right figure is take something off.—The chances are exactly equal that we should be making it more wrong.

661. That is one method. Previously an alternative method has been put forward which is known as the specific approach, has it not?—Yes.

662. That was your AE 6 at page 45 of 1961?—Yes,

663. And your AE 4 today?—Yes.

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[Continued]

664. And it all stems, does it not, from PJ 16 back in 1959?—That was the first version of this document, of this type of approach by us.

665. In 1961 we challenged the accuracy of AE 6, did we not?—Yes.

666. And we put forward our version of that specific approach in tables SWH 3 and SWH 4 at pages 100 and 101 of the 1961 transcript.—Yes.

(President): All Mr. Hill's tables are engraved on my memory, Mr. Goff!

667. (Mr. Goff): That simplifies my task, Sir. (To the witness): We now produce SWH 3 as a continuation of that exercise for this time and as our answer to your AE 4.—Yes.

668. You see on line 1 of SWH 3, to the 31st December, 1959, the totals, and the totals are carried from the old SWH 4. To give you one example so that you see what we are doing, if you look at the other SWH 4 you see that starts with 1957, does it not?—Yes.

669. And the figure is £49.76 million in column 2?—Yes.

670. Then 1958, £5.34 million, and 1959 is another £5.34 million?—Yes.

671. If you add those three figures together you get £60.44 million, which is the starting figure in the new SWH 3.—Yes.

672. That is carried right through line 1. So that this table is simply picking up the old SWH 3 and SWH 4. Then you see line 2 is the adjustment for the two items I have mentioned, the compensation of staff and miscellaneous receipts. As they have now been omitted, it is necessary to make the corresponding adjustments in the total of the share of Central Expenses in column 9.—Yes; I think I see what has been done.

673. The difference is £0.1 million over a period of twelve years.—I see that is what has been put in here.

674. Are you in a position to say whether you agree with that, or not?—No.

675. If it is right, it is a very trifling matter indeed.—Very small indeed.

676. I think you agree it is, in fact, a very trifling matter, that adjustment?—I do not think there was ever very much between us on the content of the Central Expenses.

677. It is so slight that it does not make any difference in 1960, 1961 and 1962.—I would not expect it to; that is to say, I would not expect the differences of opinion between us as to the content of Central Expenses to make any difference.

678. I am not asking you to accept our table because, of course, it has in it a number of matters on which we were at variance in 1961 and, presumably, still are.—Yes.

679. But on this particular point, the share of Central Expenses, you would not expect this small adjustment to make any difference in the years 1960, 1961 and 1962?—Not this change in the content of the Central Expenses.—No.

680. Therefore the repetition of the same figure for those years in column 9 does not surprise you?—No.

681. (President): When are the accounts to be published—this week?—I am told they are to be published on the 22nd June, that is Friday.

682. (Mr. Goff): This SWH 3 shows a figure, as the contribution to total charges, of £6.72 million; that is column 11, line 5. Do you see that?—Yes.

683. If—and I say "if" because I know there is an issue between us—the SWH 4 calculation was a correct calculation and on the matters on which Mr. Hill and you differ he was always right, then the answer £6.72 million in SWH 3 would be a correct result, would it not, and your figure in AE 4 of £7.5 million would be wrong?—Yes.

684. I do not want to take up the time of the Tribunal at great length in going through matters which were canvassed at great length on the last occasion, but there were six questions between you and Mr. Hill, were there not, in relation to which you objected to this old SWH 3 and SWH 4 and said your method was correct and his was wrong?—There were a number; I cannot remember the exact number.

685. Would you be good enough to refer to question 2677 in the 1961 transcript at page 186. That is a passage in Mr. Hill's evidence in which he is summarising the points of difference between you and I am going to read it to you to refresh the Tribunal's memory and your own. I said: "Now you were going to tell the Tribunal what your analysis was of the difference between AE 6 and SWH 4 for 1961?—(A) Yes; there are five items. The first is the treatment of the surplus funds other than the trust funds, namely the £2.2m. of which we spoke, and my treatment of the item as compared with Mr. Evershed's. The explanation of that is in terms of the 1961 calculation, a difference of £0.13m.; in effect that is 6 per cent on the £2.2m. The second item is in this method of treatment of the trust fund moneys and the transferred lines. (Q) Those are the two elements, the £38.8m., and the transferred lines?—(A) Yes. I take these together and they account for a difference of £0.33m. If it were desired to break that down again to the two elements of trust funds and transferred lines, I think it would be—yes, it would be—to divide that £0.33m. into the proportion of the amounts involved in those two, that is to say, the £38.8m. trust funds and the £12.2m. transferred lines. I have put those two together because it is rather a long calculation; that is the share of the central expenses. That is the difference of £0.1m. about which I was speaking a few minutes ago. Item No. 4 arises from this statement of interest in arrear and, as I say, the correct formula is to treat interest as payable in arrear. That accounts for £0.1m. (Q) That is the point which is illustrated in the new exhibit, SWH 11?—(A) Yes. The fifth point is the cumulative effect of all the four preceding points. It will be appreciated that by having different figures in the early years they in their turn affect figures of accumulated deficit and that in its turn gives rise to small interest differences in the further years. It is not possible to break that up any more; it is just the cumulative effect of the preceding items, and that is only £0.03m. (Q) And that gives you the total of £0.69m.?—(A) Yes; that is the make-up of the differences. Then the learned President interposed: "It is what accountants politely call reconciliation" and you were good enough to reply, "Yes, Sir." If you want to look at SWH 11 which is referred to in that passage you will find it at page 203. You will remember this was a matter canvassed at great length about the mode of calculating interest on interest. Refreshing your memory and thinking back, do you think that is a fair analysis of the questions which were then at issue between you?—(A) I think it is a fair summary. I have not tried to check whether the amount attributed to each of those items is a proper one."

686. No, you would not be able to, having only just had your mind directed to it; but it appears pretty clearly to cover the ground as to what the issues were between you and Mr. Hill on his old SWH 4.—I think so, yes.

687. And since the new SWH 3 is the same animal the differences between you would be same, would they not?—Yes.

688. I would just like to take each of those points. The Tribunal will of course remember the evidence about it and will refer to it if they so desire, but I will just deal with those points. The first one dealt with the surplus assets taken over from the London Passenger Transport Board.—Yes.

689. That was a fund of £3½ million.—Not a "fund." Perhaps "fund" is a controversial word to use, but the value of it was £3½ million.—The value, as far as I remember, of our net current assets at the 31st December, 1947, was £3½ million.

690. Mr. Hill set aside £1.3 million as being what was required for working capital.—Yes.

691. That left a balance of £2.2 million, which is the £2.2 million referred to in Question 2677.—Yes.

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[Continued]

692. The difference between you was this, was it not: Mr. Hill treated that as available assets to earn interest for capital purposes and added it to the trust fund of £38.8 million, which gave him a figure of £41,000,000.—Yes.

693. Whereas your method was a deeming transaction? you deemed stock that had been issued to be reduced by that amount?—Those were the words used on the previous occasion.

694. They are an accurate description of your method, are they not?—I regard them as an inaccurate description of our method.

695. Do you?—Yes.

696. What do you regard as inaccurate—my use of the word “deem”?—What we have done in PJ 16 is, as far as possible, to assume the burden of interest on the stock that was issued for the acquisition of the London Passenger Transport Board undertaking insofar as the assets of that undertaking were delegated to the London Transport Executive.

697. You have, therefore, reduced the interest charge in respect of the stock by the equivalent of the interest on this £2.2 million.—We reduced the interest on that stock by the value of the £38.8 million.

698. That is true, you did the same thing in respect of the £38.8 million. You reduced the interest charge on the stock issued both because you had got £38.8 million and because you had got the £2.2 million, which you added together making £41 million?—My recollection was that we only deducted the £38.8 million.

699. Your recollection is right; I have been corrected about that. You forgot about the £2.2 million, did you not?—Forgot?

700. What did you do with the £2.2 million?—Nothing.

You did forget about it?—No; there was nothing that needed to be done.

701. Was there not?—No.

702. London had to be given the credit of that as part of the money you had before they had to borrow anything.—It was no more than a reasonable balance of working capital in the hands of an undertaking the size of London Transport and, in my view, no adjustment needed to be made for that. No “deeming transaction” certainly needed to be made for that.

703. You did not forget it, then; you treated the whole £3.5 million as being required for working capital. Did you do that consciously, or is that an *ex post facto* explanation? I think it is fair to say that having made the adjustment that seemed proper in respect of the trust fund, there did not seem to us at that time to be any other item which needed adjusting. I cannot say that that item was scrutinised by itself with that question in mind.

704. Was not what I said originally correct, that you forgot it when you made your calculations?—Disregarded it.

(President): Mr. Eversherd was not responsible for it although no doubt he was assisting in the presentation of the original PJ 16. It is Mr. James's counter blow to Mr. Lawson's table.

(Mr. Goff): Mr. Eversherd was, I believe, in the team at the time.

(President): Certainly, he was certainly at Mr. James's elbow when Mr. James wanted somebody at his elbow—which was not likely to happen very often!

705. (Mr. Goff): I am putting to you that that item was merely overlooked.—I am saying it was disregarded.

706. The next thing I put to you is that it was wrongly disregarded.—I do not accept that.

707. I say it was wrongly disregarded, putting forward Mr. Hill's version, because you said that £1.3 million was all that was required for working capital and, therefore, an adjustment ought to have been made in respect of

the balance of £2.2 million. Do you accept that?—That is what Mr. Hill said, yes. I do not accept the figure, of course.

708. You do not agree that that was right?—No.

709. You are still at issue with him on that point?—Certainly.

710. Then we come to the £38 million. You treated that as reducing the amount of stock which was issued and, therefore, you reduced the interest content.—We said that as this was a fund which was money which was not delegated to London Transport, London Transport should not have to bear interest on so much of the stock as was issued in the acquisition of that trust fund.

711. You speak of that as if it were a piece of generosity towards London, but in point of fact it was adverse to London, was it not?—We certainly did not treat it as a piece of generosity to London, taking your question in two parts, it reflected the facts of what happened at the time.

712. That is just what it did not do, is it not?—I think it is just what it did do.

713. The fact was that the stock which was issued was of a certain amount and you treated it as if it was £38 million less. In fact the stock was x, not x minus £38 million, and there was a fund of £38 million in hand available for capital purposes. That was the actual fact, was it not?—The fund had £38 million in hand which was not delegated to London Transport.

714. You said it was not delegated to London Transport, but it was treated as London Transport's money, was it not?—No.

715. It went into the hotch potch of the British Transport Commission's funds?—Yes.

716. But the specific approach is to try to analyse the position as if London were from the start a separate undertaking.—Insofar as an undertaking in our position can be separate from the Commission.

717. That is the basis of the specific approach, is it not, to work out the calculation as if London always was a separate undertaking; owned if you like by the Commission, but a separate undertaking?—Insofar as one can do so, yes.

718. This fund was a fund which, on that footing, was attributable to London, was it not?—It came from London.

719. It was London money?—It was London money.

720. And if you were treating London as a separate undertaking you would have to treat it as London money, would you not?—Treat it as money having come from London, yes, which is what we have done.

721. If the specific approach is to try to see what the position is if London were a separate undertaking from the start, and if this was London money at the start, in working out your specific approach you would have to treat that money as allocated to London, would you not?—No, that is precisely the difference between us. This was not London money at the start, this was London money before the start. From the 1st January, 1948, it was no longer London money.

722. But the specific approach is one which unscrambles the egg —

723. (President): It unscrambles some of the egg.—Some of the egg, yes.

724. (Mr. Goff): It unscrambles this part of the egg. It takes the London element out of the egg, if I may put it in that way.—Even that, I am afraid, is not right; because London Transport has been delegated with certain assets which prior to the formation of the Commission did not belong to London.

725. If you are applying a specific approach to see what the position would be if London were from the start a separate undertaking, does it not follow that this

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[Continued]

fund, which at the moment of takeover was London money, must on the specific approach retain that character and be treated as London money?—No.

726. We are at variance on that and the Tribunal will have to decide. I put it to you that if you are going to adopt the specific approach and you have got a fund of money which you can see immediately before the takeover is London money, that money, whatever happens to anything else, ought to be treated, on the specific approach, as London money.—I think the Tribunal have already decided, and said at the last Inquiry, that they did not accept this treatment of the trust fund monies.

727. The Tribunal will know what it decided so I am not going to argue that with you, although I may have to argue it with the Tribunal. But you do not accept that submission?—No.

728. If you did treat it as London money, the proper way to deal with it would be, not, as you did, to reduce the interest charge in respect of the stock that was issued, but to charge the full interest on the stock that was issued, and to treat this sum of money as a fund in London's hands available for capital purposes?—That is only asking the same question in another way, and my answer is still "no."

729. With respect, it is not. The first question was whether you ought to treat it as London monies, and you said "no" and I said "yes." The second question is: Assuming I am right on that and you are wrong and you ought to treat it as London money, would you then accept the way I suggest you should deal with it, and that is to charge interest on the full sum of stock and treat this as a fund in London's hands available for capital purposes?—That seems to me to be a completely hypothetical question, because it was not money in the hands of London Transport, it was money in the hands of the Commission.

730. The specific approach is, in a sense, hypothetical, is it not?—Yes.

731. Do you mind just accepting the premise from me? I am not asking you to commit yourself, I am asking you to assume for the purpose of this question that you are wrong, although I accept fully that you do not agree with my premise that it ought to be treated as London money. But assuming for one moment that the Objectors can be right in some matters in this case, and are right in this connection, and assuming that this ought to be treated as London money, if you were going to treat it as London money and work out the specific approach would you do what I am suggesting, namely would you charge interest on the whole sum of stock that was issued and say: "This is a fund available for capital purposes?"—I am not at all clear. I am not satisfied about that. The only way in which I can reasonably treat this as London money is to pretend that London still had it. If I pretend that London still had this money, I have got to try and imagine what London Transport would have done with it if they had it, and I have got to try and imagine that they would have invested it in short or long term investments, or they would have lent it to this body or that body and earned certain rates of interest on it, and possibly made certain capital losses or gains with that money. It sets in train a whole series of transactions which I have to try and imagine.

732. They would have had it available for expenditure and it would have postponed the evil day of borrowing.—To some extent, yes.

733. The effect of your method is to crystallise that fund as a fund bearing interest for the benefit of London at 3 per cent.—It has the effect of doing that, yes.

734. Whereas if it were treated as a fund of money and London was charged interest on the whole stock and this was treated as a fund of money belonging to London, then they would get the benefit, would they not, of increasing rates of interest, and they would have this money to spend instead of having to borrow at a higher rate of interest?—They may have done if they had in fact avoided borrowing at a rate greater than three per cent, yes; but I am still completely in the dark as to what London Transport are assumed to have done with the money while it was not required for capital purposes.

735. They could have kept it as a reserve for the British Transport Commission so that it could be used when they wanted it. Then the third point was the £12.2 million stock issued for lines taken over by the London Transport Executive in the main lines and not from the London Passenger Transport Board.—Yes.

736. Mr. Hill's method was to treat that as an addition to interest on capital obligations in his opening item.—Yes.

737. Your PJ 16 treated it as a cash payment in the first year.—Yes. That makes no difference at all, Mr. Goff. It is merely done that way by Mr. Hill in order to prevent his using up his trust fund too quickly; but it does not alter the calculation whether you put it in as expenditure in the first year or as retention of the stock.

738. But it does for that very reason.—For that reason only.

739. But it is an important reason is it not? All you are doing is crystallising the rate of interest at three per cent and cutting down what money London has in hand for capital purposes so that you make them borrow earlier at higher rates of interest. Our method gives them the benefit of monies which they have got in hand. Is that not right?—Oh, yes; that is right; but, as I say, whether you treat it as expenditure in 1948 or whether you add its value to the commencing stock at the beginning of 1948 makes no difference to the result of the calculations, except that it enables Mr. Hill to spin out the trust fund for a longer period.

740. Which is an advantage to London?—Which is an advantage to London. It would be an advantage to London if we accepted the propriety of doing it.

741. Would you repeat the last answer?—It would be an advantage to London if we accepted —

742. (President): You used the word "propriety." You mean in an accountancy sense, I expect?—Yes.

743. (Mr. Goff): Our method in fact is more beneficial to London than your method for this reason which we have been discussing. You would accept that, would you not?—It produces a lower Central Charge.

744. And our method is historically more accurate, is it not?—I regard your method as inaccurate for the reasons I have given.

(President): Of course as a matter of history we do not know whether the £12.2 million is right or wrong. Nobody knows how much stock really represented the transfer of lines.

745. (Mr. Goff): But it certainly was not a cash payment, and that is the point of saying historically it is more accurate. (To the witnesses): Your method treats the sum paid for these lines as a sum paid in cash. That is not right, it it; it never was?—I do not mind, Mr. Goff.—

746. Well I do.—I am trying to explain to you that it would have exactly the same effect if we took the whole amount attributed to the joint lines and added it to the stock issued for the London Transport Executive.

747. But we have agreed it would not.—On my method it would.

748. If you adopt your method London has to borrow earlier at higher rates of interest. If you say: Well, these lines were acquired for stock, then the £12.2 million is not paid out as cash and we have got money in hand to avoid the necessity of borrowing. You have just agreed with me that it makes a difference on this question.—If you adopt Mr. Hill's method. On my method it makes no difference whether I treat the value of the transferred lines as expenditure in the year 1948 or whether I bring them into my opening capital obligations on which interest is payable.

749. Would you look at the present AE 4. If you had treated it as stock it would have made a difference, would it not, because in column 1 for 1962 where you have got £3.81 million you would have an extra 3 per cent on £12.2 million?—Yes.

750. And in column 8 you would have £12.2 million at 6 per cent less?—Oh, no.

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751. Would you not?—No; you would have £12.2 million less in column 5.

752. Mr. Hill does not agree with that and he is going to work it out, so I will reserve that question, if I may, until he has had a look at it.—It is quite clear from page 436 of the 1951 Enquiry.

753. (President): That is the original PJ 16?—Yes, the first line of that.

754. (Mr. Goff): May we have your explanation? You say it is clear from PJ 16?—If you look at the first line there, we show the £12.2 million as expenditure in that year and we include it in the net expenditure in column 4, bearing interest at 3 per cent in column 5. It would have had the same effect if interest on that £12.2 million at 3 per cent had been put instead into column 1.

755. (President): What you mean is the figure in line 1 in column 12 would remain the same whether it was made up of an increased column 1 and therefore a diminished column 5, or whether it was made up of the sum of the two other figures?—Yes.

756. The total would be bound to be the same in line one of PJ 16?—Yes, and it would have remained the same through the succeeding years.

(Mr. Goff): Mr. Hill does not accept this answer. He says he will have to work the calculation through to demonstrate it, so may I reserve this point?

(President): Certainly.

757. (Mr. Goff): The fourth issue between us is the method of calculating interest on interest. You remember the long dispute we had about that?—Yes.

758. The point there was that you take the mean of the interest, that is half a year's interest, and charge a whole year's interest on it. So if half a year bears a full year's interest, we have got half a year's interest on a whole year, it does not matter which way you put it round.—I think it is perhaps easier to say that we bear half a year's interest on a whole year's interest.

759. Mr. Hill's point is that in charging interest on interest you should only bear a year's interest on a quarter of the interest, or half a year's interest on half and not a whole year. That is the issue between you.—That is the gist of his argument, yes.

760. He is right on that, is he not?—I do not take any exception to that in isolation, but I do not agree with it in this calculation.

761. It may have been my fault, but I thought you objected to it altogether before. You say you do not object to it in isolation. It is a recognised accountancy method in some circumstances, is it?—A half yearly payment of any sort, whether it be interest or any other payment, will have certain consequences in the form of interest.

762. But when you are charging interest on interest it is only the first half year's payment which bears interest during that year, is it not?—Yes.

763. Because the second one does not have to be paid until the end of the year.—That is so.

764. Therefore it is right only to charge half a year's interest on the first half year's interest and nothing on the second half year's interest?—I am not prepared to leave it there. As I said before, I do not disagree with that as a method of dealing with interest on interest in isolation, but we are not dealing with interest on interest in isolation here.

765. What is it in this case which makes that calculation unsuitable?—The assumptions made here are two: One is that the net revenue accrues evenly from day to day, but that the interest is payable in two instalments at the end of each half year. What is wrong to my mind about putting those two assumptions together is that although the second is right, the first in my view is wrong. The net revenue of London Transport does not accrue evenly from day to day.

766. Mr. Hill says as near as no matter. Would you accept that view?—Mr. Hill is, in my view, not right in saying that. Mr. Hill in his own evidence recognised the fact that a transport undertaking—and he was not speaking of London in particular—did not expect to get its revenue in the early months of the year. In fact London Transport gets a considerably larger proportion of its net revenue in the second half of the year than in the first.

767. You get the peak just off the middle, do you not? You rise up to a peak about the middle of the year and fall away afterwards?—No. Our best months are the later months of the year, with the exception of December.

768. And November.—I hesitate. Mr. Goff, because we do not use calendar months. I think you are quite right. I think I should have said with the exception of November, really, because the latter part of December is usually quite a good period.

769. Can you push the ball a little further and say October?—No, October is a good month so far as we are concerned; people are back from their holidays.

770. A lot are not; October is quite a favourite holiday month?—As far as our passengers are concerned I think that can be fairly be said—that they are back from their holidays at that time.

771. At any rate, to take the revenue as accruing evenly, if the only way of dealing with it because there is no other basis on which you could deal with it?—No, I have taken the rough with the smooth and regarded all the net revenue as coming in evenly, and the interest as going out evenly, and I think in a calculation of any sort that is reasonable.

772. Would you look at RMR 4A. Have you got that?—Yes.

773. If you look at the budget cumulative figures you will see the total for the year is £88,720,000?—Yes.

774. If you look at July, you will see July the 1st is £43,964,000?—No, that is the cumulative total—

775. I know it is; it is bang on half the total, is it not?—Yes.

776. So in the middle of the year you have got half your income?—No. This is an adjusted budget; this has not got the fares increase allowed for in it.

777. We are not talking about actual fares, but about the principle as to whether your revenue comes in evenly or not. It does not matter for that purpose whether or not to put up your fares unless you are going to disrupt your traffic altogether by putting them up?—Certainly it matters.

778. How can it matter to the question of whether your revenue comes in evenly?—Because we are going to get more money in in the second half of the year than in the first half.

779. And have more wages to pay?—No, certainly not; the increases in wages are being paid from the beginning of the year already.

780. That is an artificial upset caused by putting your fares up in the middle of the year, is it not?—It is something which has happened for very many years now.

781. So your income would come in evenly but for the fact that for very many years you have been putting up your fares?—Yes, and our costs have always been going up; the costs' going up always precede fares' going up; it is partly that which causes the higher profitability in the latter part of the year.

(Mr. Goff): So that your flow from revenue is even—

(Mr. Fay): My friend says it is even; there is really £1m. difference between the first 26 weeks and the second 26 weeks.

(Mr. Goff): July the 1st is the middle of the year. The figure is just on £44m., and the total is £88,720,000.

(Mr. Fay): There is nearly £1m. difference.

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[Continued]

782. (Mr. Goff) (To the witness): Half the amount comes at just about the middle of the year on those figures, does it not?—Yes, but that is not a proper arithmetical way of looking at this. You have only to look at the receipts for the early months of the year to see how low they are compared with those later in the year.

783. And they fall away again at the end of the year, so you do get your peak around about the middle of the year; at the middle of the year you have already got up to half your total?—I do not think they do fall away at the end of the year.

784. They must do if you get round about half by the middle of the year, because you get comparatively small sums in the early part of the year and you get comparatively small sums at the end of the year?—The figures are on the tables you have cited to me and they are higher in the latter part of the year than in the early months.

785. With a heavy drop at the end of December?—For one week, yes.

786. But the fact is (and the Tribunal can see for itself) that by the middle of the year, apart from increasing your fares in the middle of the year, you do budget to get in approximately half your revenue; that cannot be gained, can it?—I accept that.

787. And of course in your calculation, your expenses are also treated as accruing from day to day in the Central Charges calculation?—Yes, the net revenue is treated as accruing evenly from day to day.

788. The net revenue?—The net revenue.

789. Therefore increased fares, which, as you say, always follow increases in charges, would not alter the net revenue because they are put on to meet increased charges?—Increased wages.

790. Increased costs?—Increased costs, yes.

791. I put it to you on that table that it was more or less an even flow because you had got half the total by the middle of the year, and you said, "Oh, no, because that doesn't take into account the fares increases which would increase the revenue"; but they would not increase the net revenue if they were designed to cover increased working costs, would they?—Of course they would. For the first three months of this year we were working under the burden of increased wages without having the benefit of the increased fares; therefore the first three months of this year must have been highly unprofitable to us, and it is only when the fares are increased that the rate of profitability improves—and fares increases are always behind wage increases.

792. As soon as they catch up they are not then altering the net revenue?—Until the next wage increase.

(President): There is not much point in authorising an increase in maximum fares if they do not increase the net revenue.

793. (Mr. Goff): Yes, because it would prevent the net revenue from falling. (To the witness): Your only objection, then, to adopting this method in regard to interest is that you think that if the net revenue is treated as accruing evenly the interest payable should be treated also as accruing evenly for the purpose of bearing interest upon it?—Yes.

794. I put it to you that is quite an unfair way of doing it; the interest is something where you can see exactly what happens, and if you are going to charge interest on interest you should adopt the method which you say would be right in isolation—I say it is right in isolation, but if you are going to adopt that method with interest you must adopt it also with net revenue.

795. So that is the only issue between you on that point. Then there was one other point, which was a small matter on the actual content of the Central Charges. We put 0.55 and you put 0.69. We shall look at your AE 4, which is at page 20 of the present transcript: Share of Central Expenses of the Commission (column 12 last line) 1962, 0.69; in our SWH 3, column 9, it is 0.55.—Yes.

796. That difference arose from the fact that you took out certain items as applicable solely to London and applied a percentage to the balance, where as Mr. Hill applied a percentage to the whole. That was one difference; the second difference was you took 10 per cent and he took 9?—I think it was the latter, if I remember rightly, which caused the difference between us and not the content of the total expenses or their treatment.

797. That was the more important difference?—The more important difference was the ratio in which we were deemed to share them.

798. Do you still disagree with him on that point?—I do not know what he has done this time.

799. Mr. Hill has used the same nine per cent?—I disagree with that.

800. The last point between you is the cumulative effect. I need not say anything about that; that follows as a matter of mathematics.—I did say I have not worked out the value of all these differences between us and therefore I have not worked out the cumulative effect.

(Mr. Goff): Wherever you disagree there is likely to be a cumulative effect in working it out.

(President): You put to Mr. Eversherd that Hr. Hill had taken nine per cent; nine per cent of what?

(Mr. Goff): The total Central Expenses dealt with in column 9 of SWH 3; it is items taken from SWH 1.

(President): I know, but that is merely referring me to another sheet of Mr. Hill. I want to know where the figures in SWH 1 comes from.

(Mr. Goff): Page 22 of the 1960 accounts.

(President): Which is the figure the nine per cent is on?

(Mr. Goff): It is an addition of several item which I shall give to you with Mr. Hill's assistance.

(President): Is it convenient to postpone this for a moment? It is only for my information.

(Mr. Goff): Yes; I shall see that after the adjournment you are supplied with the answer to your question.

(President): Then we shall ask Mr. Eversherd whether his 10 per cent was taken on the same item.

801. (Mr. Goff): If you please. (To the witness): Now I want to come to another matter. What has been said by the Minister in the debates on the New Bill is that he is adopting a specific approach method.

(Mr. Fay): I think I must object to a question based on something said on the New Bill. What is to happen in the future is no concern of ours at the moment.

(Mr. Goff): It is because it is a holding operation.

(President): I must uphold the objection; I do not think Mr. Eversherd can be asked what was in the mind of the Minister.

(Mr. Goff): What I am asking is whether what the Minister said indicated something; I carefully framed it in that way.

(President): We had better say which Minister and what he said.

(Mr. Goff): It is the second day's debate, Tuesday, 21st November, 1961. You have the relevant Hansards.

(President): I have them but I do not think other members of the Tribunal knew they were going to be referred to this time.

(Mr. Goff): I indicated, admittedly at a late stage last night, that a message should be sent to you; I fear it did not reach you. I can only apologise at this stage.

(President): I had anticipated it!

802. (Mr. Goff): I can hand a further copy up for the assistance of the Tribunal, and another copy to the witness. Sir Edward Boyle, at the second complete

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[Continued]

paragraph in column 1171: "A number of hon. Members have asked what rate of interest will apply to the commencing capital debts of the new bodies. The Government have given a great deal of thought to this. It might be thought reasonable to say that since these are new bodies, being set up with fresh debts, from the aggregate of which the accumulated losses of their predecessor undertaking have been shorn away, therefore the rate should be the appropriate rate operative for new borrowing on the vesting date. There would be a good theoretical case for adopting this principle, but there are also practical considerations which we must bear in mind.

"If we assume, as I think it only right, that interest rates at the time of vesting will not be very different from present rates, and if, therefore, we assume a going rate at vesting date of, say, 6 per cent it is clear that the application of the going rate to the commencing debts would almost certainly involve an appreciable proportionate increase in the interest burden of some of the new undertakings, including those which can, we believe, maintain financial viability but for which the maintenance of viability would not be an easy task. In the Government's view it would be preferable for those undertakings to be set a realistic target of financial performance related to their circumstances and prospects, in the sort of way envisaged in the White Paper on the Nationalised Industries, rather than that they should be saddled at the outset with what may prove to be an unduly burdensome annual debt charge.

"The Government therefore propose, and this is the answer to hon. Members opposite, that the rates of interest on the initial capital debts of the new bodies shall be rates calculated by reference to the way in which the debts have been built up in the past. This will involve some very complex analysis and calculation and I cannot forecast what the precise effect will be. Such preliminary calculations as we have been able to make suggest that the difference between a 6 per cent rate and what I might call a series of historically derived rates may be about £10 million a year initially, taking the new undertakings together.

"It is not possible at this stage to say what the effect on individual boards is likely to be, but the overall figures which I have mentioned show that the decision which we have taken will make a very substantial difference to the undertakings. I hope to be in a position to give more detailed information on this matter when we reach the Committee stage. The terms of repayment of the commencing debts will also reflect the way in which the debt has been accumulated in the past." (To the witness): Is it fair to say that those passages suggest that the Minister is working on a specific approach method?—Only partly.

(Mr. Goff): If calculating interest by analysis to see the way in which the debt has been accumulated—

(President): Is it really going to assist us, whether Mr. Evershed says yes or no? Can we not form our own opinion after reading the whole of the debate on Clauses 38 and 39?

(Mr. Goff): If you please; I can develop it in argument.

(President): There was another passage I was going to refer to.

803. (Mr. Goff): That is 15th March, 1961; again Sir Edward Boyle; I should read the relevant passage, so that we have it complete. It is column 1312, at the bottom: "Next, I should like to say something about the division of total commencing debts. The division of the total will reflect the way in which the present Commission's undertaking is to be divided among the five new bodies. As far as can at present be estimated—and I must emphasise that in all the figures I quote this morning some further complex calculations will be necessary before absolutely firm figures can be known, quite apart from the fact that we are still 9½ months away from the target vesting date—the division will be approximately as follows. The British Railways Board's share will be £1,575m. The share of the London Board will be £165m.—and then he gives the figures for the Docks and Inland Waterways. "Those figures in fact add up to a little more than the

total of £1,975m. which I have mentioned, but that is inevitably the effect of rounding and approximation. The figures which I have given must be approximately correct.

"I hasten to add straightaway that the £1,575m. for the Railways Board includes the debt, related to pre-1956 assets, which by Clause 40 will be put into suspense. The amount involved is estimated at between £650m. and £700m. This means that the live debt of the Railways Board to the Exchequer will be rather under 60 per cent—I think the nearest figure I can give is 58 per cent—of the total attributable to the Board, in round terms about £900m.

"I should like to say a few words about the terms of the debt, though I went into this at some length on Tuesday in speaking on an Amendment to the Clause. I said on that occasion that the rates of interest, which are to be historically derived, look like working out at about 5½ per cent for the Railways Board and probably about 4 per cent for the other new bodies. I also said that the life of the commencing debts would be determined by the outstanding lives of the various existing capital debts of the Commission.

"I want to answer the part that has been particularly raised by the hon. Member for Newcastle-upon-Tyne West (Mr. Poppell), and I am drawing deductions from the figures which I have just given. It follows from the estimates which I previously gave of the commencing debts and rates of interest that the interest payable to the Exchequer by the new bodies in the first year will be broadly as follows: British Railways Board, £50m. to £55m., London Board about £6½m.—" (To the witness): You said that indicated, or appeared to indicate, that the Minister was working partially on historic basis?—Yes; I meant by that that he seemed to be settling the rate of interest by reference to what I think we call the specific method.

804. Yes. Whatever method he was using, do not those passages tend to confirm our figures of £6.3 or £6.7 for 1962 (the £6.3 is taken from our new SWH 4 and the £6.7 from SWH 3), rather than your higher figures of £7.3 in AE 3 and £7.5 in AE 4?—No.

805. Not the fact that he calculates an interest on a figure of (inaudible)? Do you still say no?—It is rather more than our interest charge.

806. But then he is dealing with a different position; he is dealing with the vesting date of 1963, and he is dealing with a static position—fixing a rate of interest on a debt then to be ascertained?—I am not quite clear about that. There are two passages in this copy of Hansard dealing with the 15th March, one of which indicates that £6½m. is the amount of interest payable on the opening capital debt and the other indicates to my mind that £6½m. is the Financial Secretary's estimate of the interest payable for the year 1963. They are not quite the same thing. The passage I am referring to is the one you have quoted. That is a figure which appears to be calculated by reference to our opening capital debt at a rate of interest of 4 per cent, that is to say it is a rate of interest appropriate to our opening capital debt; but if you refer to about halfway down column 1332, the figure of £6½m. is put forward as a forward estimate for 1963; so I am not clear whether £6½m. is being put forward as the rate of interest payable at the commencement of 1963 or whether it is put forward as an estimate of the amount of interest payable for that year.

807. It could be only an estimate based on the opening debt, because he would not know whether you were going to borrow money during that year, or how much?—He might well be in the possession of information that would indicate to him that we were going to go on borrowing money in that year.

(President): No statement has been made as to when vesting date is.

(Mr. Goff): The target vesting date was 1st January, 1963.

(President): I do not know who put up, or hit, the target. It was mentioned by the Financial Secretary, was it not?

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[Continued]

(Mr. Goff): He referred to the target date but did not say what it was. He added that he thought it was what it was.

(The Witness): I thought it was likely, because one would want it to begin at the beginning of the new year.

808. (Mr. Goff): It is referred to in the passage at column 1332 in the reference to the forward estimate of 1963—the first year under the new Act?—Yes.

809. What you are suggesting is the £63m., having regard to what appears in column 1332, might be not the interest on the opening debt, but examples of what the interest will amount to during the first year, having regard to prospective future borrowings?—Yes; it seems to me both those senses can be read into what is said.

810. If that were right, the opening interest would be less than £64m.?—Yes.

(President): I hope we shall not have to read the whole of the Commons Debates and the Lords Debates.

(Mr. Goff): That is why I drew attention to certain passages and had tables based on them.

(President): I also hope we shall not be engaged in discussing what Income Tax will be payable by the new Transport Board in 1963.

(Mr. Goff): No, I do not intend to embark on any such discussion.

(Adjourned for a short time)

(Mr. Goff): Mr. Hill has the references to the figures, Sir; would it be convenient if he read them to you himself?

(President): Yes, certainly Mr. Goff.

(Mr. Hill): All the items are in IV—5, Sir, with one exception; that is in IV—9. The items in IV—5 are: Central Administrative Expenses; Capital Redemption; Expenses of Management and Transport Stock; Subscriptions and Donations; Expenses of the Consultative Committees; Expenses of the Transport Tribunal and the Audit Fees. The item from Account IV—9 is Amortisation of Discounts.

(President): There is only one of those?

(Mr. Hill): Yes; it is agreed that the staff item need not be drawn.

811. (Mr. Goff (To the witness)): On the point we reserved, Mr. Eversherd, we said that adopting your method it made no difference with regard to the £12.2m. whether you reduce the interest charge and treat it as a capital expenditure or whether you take a high interest charge and do not treat it as capital expenditure; it would come to the same result, because you would reduce one column by the same amount as you increased the other?—Yes.

812. That is right, is it not, if you had no opening money for London, but it would not be right if you started by allocating the £38m. to London?—No; it makes a difference if you assume that the Trust Funds are still available to London. I said in my answer to you that that is why I assumed Mr. Hill had done it in that way.

813. If you had assumed that the £38m. Trust Fund is still available for London, then the treatment of the £12.2m. also makes a difference, does it not?—Yes.

814. I did put to you before the adjournment the Minister's figure of £6.5m. as the interest figure for the first year of the new scheme; that tends to confirm our figure of Central Charges of £6.3m., or £6.7m. for 1962, and to negative your figure of £7.3m. or £7.5m., and I think you did not agree with that?—No, I did not.

815. And then I said you simply could not compare the Minister's figures with the £6.3m. or the £7.3m., because the Government's figure is for interest charges only, whereas AE 4 and SWH 3 contain other items; do you agree?—Yes.

816. Also it is necessary to make small adjustments because AE 4 and SWH 3 are for the financial year 1962, and the Government's figure is a figure of interest for 1963?—It may be.

817. Well, it was put forward as a figure for 1963, although it might be, as you said, that it was either the starting figure or the estimated final result?—Yes.

818. But it is for 1963 and not for 1962?—I agree.

819. Have you table SWH 5 before you?—Yes.

820. That is Mr. Hill's support for his statement that the Minister's figure tends to confirm his Central Charges figure and to negative yours, and he works a comparison with table AE 4 and a comparison with table SWH 3; you see the table in two parts?—Yes.

821. It starts "Central Charges for 1962 per AE 4 (column 14)" and the figure is £74m.; that is taken straight from your table AE 4.—Yes.

822. So you agree that the first item in the first half of SWH 5 is merely taken from your AE 4; it is your £74m. for Central Charges?—Yes.

823. Then he is working back to relate that to the Minister's figure, so he excludes, as item 2, the item included in the above as the share of the Central Expenses, because that is not an interest item?—Yes.

824. So you would agree with that as a method, would you?—Yes.

825. Then he adds in No. 3: "Other than in respect of amortisation of discounts on B.T. Stock—10 per cent. of £564,000"; the British Transport Stock liabilities would be taken over, according to the present proposals, by the Government, would they not?—Yes.

826. But in calculating interest to be paid by the new Board it will be necessary, will it not, to take into account the fact that this stock was issued at a discount and it is necessary to amortise it over the years—

(President): Did you say "it will be necessary," or "it has been necessary"?

827. (Mr. Goff): It will be necessary; or perhaps I should say it is necessary, because it is a factual statement—it probably has been worked out. (To the witness): Would you agree that it is correct to put that back?—I would have thought not, Mr. Goff, because my recollection was that the discounts were going to be written off when the new Boards are formed.

828. Yes; the liability is written off, but in getting at the true rate of interest to be charged on an historical basis, you cannot disregard, in calculating, this liability for amortising stock?—I do not really know; I do not think I can answer that.

829. But you see what Mr. Hill has in fact done there as a piece of mathematics?—Yes.

830. And that gives us the figure of £6.87m.?—Yes.

831. Then, at line 6, Mr. Hill adds a half-year's interest on the 1962 net capital expenditure; that is right, because one is taking interest on a mean during the year?—I agree.

832. Then: Less half-year's interest on net surplus for 1962 (before charging interest on accumulated deficit); that is calculated on a mean on the same principle, so therefore one has to deduct a half-year's interest on the net surplus.—I see the method.

833. You agree with (a); do you not also agree with (b)?—Yes.

834. Then: Less also a year's interest on the amount charged in 1962 for interest on accumulated deficit; that is added at the end of the year and interest on that has to be brought into account. Do you agree with (c)?—That, as I understand it, is to bring the year's position up to the year end position?

835. Yes, that is right.—Yes.

836. And that therefore, starting from your figure of £7.5m., will give you an interest charge as at 1st January of £7.15m.?—Yes.

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[Continued]

837. Then he works a similar comparison with table SWH 3 except of course that here there has to be an additional adjustment because of the point about the quarter year's interest, and you see we have the Central Charges for 1962. That is simply taken out of table SWH 3, £6.72m. and it compares with the opening £7.5m. in the first part?—Yes; I take it that the same exercise has been done, using Mr. Hill's figures rather than mine?

838. Exactly, and you do get a difference when you come to the addition. But before, you had (a) less (b) and (c); here you have four items, (a), (b), (c) and (d), because you are putting in (c), the year's interest. That is a special adjustment because of the method Mr. Hill has used in calculating interest?—Yes, I think I can see what is being done.

839. And that gives you a figure of £6.56m.?—Yes.

840. And the figure suggested by the Financial Secretary was £6.5m. as the interest figure for the start of the year?—Yes.

841. Having seen that table, does it not suggest to your mind that Mr. Hill's calculation, which gives you £6.72m., is much more accurate than your calculation of £7.5m.?—No. To my mind it suggests directly the contrary, namely that Mr. Hill's figure is wrong and mine is right.

842. Why is that?—For this principal reason, that the £6.4m. figure put forward by the Financial Secretary does not embrace interest on our deficit which is being written off; whereas as the figures that appear on table SWH 5 include the interest on deficit. The interest on the accumulated deficit in 1962, according to my calculations, is £600,000, and if you reduce the figure in SWH 5 which is attributed to me, namely £7.15m., by £600,000, that is to say, to £6.55m., you come extremely close to the estimate which has been put forward by the Financial Secretary.

(Mr. Goff): Will you forgive me for one moment, Sir, while I take instructions?

(President): Yes, certainly.

843. The Minister was calculating historically the rate of interest according to the capital which has, in fact, been raised from time to time for London's needs, because he said he was going to take an historically calculated rate of interest; so he was looking back historically, was he not, to see what capital had been raised for London at what time and at what rates of interest?—Yes, I think so.

844. So although the deficits have now been written off, their existence throughout the period to the end would have to be taken into account to determine what is the proper rate of interest to charge to London?—I do not know, but if I may say so, I do not think that is relevant.

845. What I am putting to you is that the expenses come into the calculation of the rate of interest?—It will have had some effect on it, yes; but that is not the point I am making. The point I am making is quite clear from SWH 5 itself: in line 8 there is a note that the interest on the deficit on London Transport for 1962 is £0.58m., which is included, of course, in the opening figure of £7.50m., and because that has not been taken out, it is included in the figure of £7.15m. with which the table finished. It is not, therefore, comparable to that extent with the figure quoted by the Minister.

846. Mr. Hill does not agree with you, if you say that for that reason this table does not in fact confirm his figure. I go further than that: I say that this table does in fact confirm my figure.

847. Because you claim to write off £600,000 from the £7.1m. What do you say that £600,000 is?—Interest in 1962 on the accumulated deficit.

848. I am putting it to you that Mr. Hill does not agree with that; you say you have to take the £600,000 off and that therefore the figure confirms you and not him?—It tends to confirm my figure, yes.

(Mr. Goff): Mr. Hill will give his explanation of that and no doubt you can be re-called if necessary.

(President): Does it matter very much, Mr. Goff?

(Mr. Goff): If you please, Sir; I will leave that matter there for the moment.

(President): They knew exactly what they had to do in order to arrive at the commencing date of the Commission as exactly as mathematics can express them in ordinary language in the Act. That is one thing, but when they came to dissect that capital amount into the various undertakings, that was a different matter. However, Mr. Hill is going to explain how the Minister came nearer his figure than Mr. Eversherd?

(Mr. Goff): Yes, Sir; I have put it to the witness, and if necessary he can be re-called after Mr. Hill has given his evidence.

(President): It may be that neither Mr. Eversherd nor Mr. Hill is right, and that they hit upon a figure by accident.

849. (Mr. Goff): Yes, Sir. (To the witness): Is this right, that this being a holding measure, one ought to have regard to the probable effect of the Transport Bill—to the effect it will probably have when it becomes an Act?—No.

850. Do you say you ought to forget all about that?—As I said earlier this morning, I think we should take into account, and into full account, the matters about which we know.

851. Then would you say that one of the things about which you know is this, that the Financial Secretary to the Treasury has given this figure of £6.5m. as an approximate figure of the interest charge in 1963, either for the start or for the whole year?—I know that he has said that, Mr. Goff, yes.

852. And therefore ought you not in a holding measure to work on a contribution to Central Charges which is comparable with that figure?—I have just said that I think my Central Charges figure is comparable with that interest figure.

853. I am putting it to you that the comparable figure for Central Charges based on the £6.5m. would be a figure of approximately £6.5m., or possibly £6.6m.?—I do not accept that.

854. No—as the total liability which London would have to bear when it gets started under the new Scheme? Then I am sorry; I do not think I have understood the question.

855. Perhaps I expressed it badly. Taking the interest figure at £6.5m. for 1963, the reasonable figure to take for Central Charges for 1962 would be about £6.5m. or £6.6m.?—No, I do not accept that at all; it must be much bigger than that.

856. Mr. Hill arrives at that in this way; I have not got this in the form of a table, so I shall have to put it to you. Taking the amount as at 1st January, 1962, £6.1m., he then takes half a year's interest in respect of net capital expenditure in 1962, which he gives at £0.3m., which reduces the figure to £6.2m.; that is bringing it back to 1962. Then he adds, in respect of redemption of stock, what happens to be, although this is coincidental, the same figure, namely £0.3m., and he adds in respect of guarantee of London Transport stock and salaries of members of London Transport Executive, £0.1m.; actually it is two items together amounting to £0.1m.—Yes.

857. Which gives you £6.6m. Having regard to the impending change, he suggests that in any event that is a reasonable figure to adopt in the holding measure, looking to 1962?—It seems to me to omit two important items; one is the London Transport share of the Commission's administrative expenses and the other, of course, is the interest on the deficit.

858. I think we come back to the same point; the interest on the deficit is already in the £6.5m., is it not?—No, not in my £6.5m.

859. No, but it is in the Financial Secretary's £6.5m. on which we are now working?—No.

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[Continued]

860. Turning from that, the surpluses made by London Transport Executive have never in fact been separate surpluses for the benefit of London Transport, have they?—No.

861. They just go into the Commission's general funds and are lost in the overall deficit?—Yes, because London Transport has not any accumulated surplus; it is an accumulated deficit.

862. But that is not because London does not pay its way; it is because British Railways as a whole do not pay their way?—It is because London Transport in the past has not paid its way.

863. But it does now?—Yes, it does now.

864. For how long has it paid its way?—I think 1959 was the first year. When I say "paid its way" I mean to say that we have earned revenue sufficient to pay our Central Charges with a small margin over; I think I am right in saying that that happened for the first time in 1948. It did not happen again until 1959, when there was a margin of £30,000; it happened again in 1960 and again in 1961.

865. And that is after paying the contribution to Central Charges, and that includes, does it not, a contribution to interest on the overall deficit?—By that you mean the Commission's overall deficit?

866. Yes.—It includes London Transport's share as we compute it of the whole of the expenses of the Commission, including interest.

867. And something over that in the years from 1959 onwards?—Yes.

868. And that, nevertheless, has not provided a surplus for London; it merely goes to reduce the Commission's deficit which is being incurred elsewhere?—It goes also to reduce London Transport's deficit which has been incurred in earlier years.

869. It does not build up any surplus for London Transport, and any surplus obtained in 1962 would not inure for the benefit of London under the new Scheme; it would not provide it with any reserve?—No. As far as I know, the intention of the Bill will not provide London with any reserves.

870. So in the holding operation, there is no point in arranging for a reserve, pending the coming into operation of the new arrangement?—Yes; I think there is a purpose, even in a holding operation, in getting as nearly as we can to covering our working expenses and our interest charges, with a margin over.

871. Why a margin over in the holding operation; what is the good of it?—One reason for the margin over is, of course, that London passengers as a whole in the past have not paid the costs of operating our services.

872. Do you think, in a holding operation, that they should be made to pay more than is now required in order to pay a little of what has been incurred in the past?—I do not think they are now being asked to pay more than they should.

873. Are they not? I am suggesting that in a holding operation all you have to do is to see that you have enough to meet your expenses; there is no point in trying to get a surplus which is not building up a reserve, but is merely, if it does anything, writing off some past debts?—But it also relieves the taxpayer.

874. You say that is the only result it will have, to relieve the taxpayer generally?—And I suggest that is not a negligible result.

875. But that would be at the expense of the London traveller in particular?—They may very often be one and the same thing.

876. That is why I said "in particular".

(President): What you are suggesting is that there should be free travel in 1963?

(Mr. Goff): I am not suggesting that we should travel free because the Government is taking over the deficit, Sir; I am suggesting that when you get a holding opera-

tion, there is no point in aiming at a surplus, which is a very different thing from saying: "Let us give it all up and travel free".

(President): Then you should have an argument as to whether Mr. Fay was right in saying that this ought to be a holding operation and nothing more.

(Mr. Goff): Yes, Sir; that is the basis on which it is being put.

(President): Maybe they took the wrong page in the dictionary and ought to have called it something else.

(Mr. Goff): It may be a question of terms, but you see the nature of the argument we are going to adduce and in support of which I am now addressing this cross-examination.

(Mr. Fay): And I do not withdraw the expression "holding operation"; my learned friend sees the level at which we say it should be held.

877. (Mr. Goff): Yes, and in due course I shall be putting forward the level at which I say it should be held. (To the witness): It is possible, is it not, if you look at 1962 only and if you take the sort of figure for Central Charges that I have been putting forward, to pay your way to the end of the year without, at any rate, all the increases which you have been temporarily granted? Do you accept that proposition, or not until I have elaborated it?—There is rather a lot involved in that, Mr. Goff.

878. If you please. Would you look at your table AEI on page 19 of the transcript; you give 1960, 1961 and a future year?—Yes.

879. That future year is a whole year, is it not?—Yes; it is 1962 adjusted to give a full year's effect to the changes about which we know.

880. Would you look at table SWH6; I want you at the moment to look at 1962, column 3, headed "BTC fares proposals". This is Mr. Hill's rendering of 1962 actual and not a future year. Would you agree with the figures he gives there, because your table AEI does not give 1962. It is the £88.7m. and the £0.3m., giving a total of £89.0m.; then he gives working expenses, including depreciation and renewals, actual for 1962, £84.2m., against £84.6m.—I think I can agree with everything except line 8; subject to that, I think it would agreed with our own estimates.

881. So if you add at that time Central Charges at £6.5m., then your yield, actual in 1962, although you would not get the yield for the full year—No.

882. —would produce a surplus of £1.8m. after having provided for Central Charges?—Yes, at £6.51m.

883. I am going to put to you two propositions which I submit could be adopted if you took a Central Charge figure of £6.5m., and I am asking you to take it now for the purpose of what I am putting to you. I have submitted it; and you have disagreed with it, and that is that. One proposition is that the increases should not be wholly confirmed; that they should be confirmed for ordinary fares of 1s. 0d. upwards—that is four miles—but that as from some suitable date, say the 1st August, the one and a half stage charge and the two and a half stage charge—that is, the 5d. and 8d. fares—should be restored, and that involves a modification, because you then have to have three and a half, otherwise you get double booking. That is one proposition I am asking you to consider; at the same time I am asking you to consider a change in the season-ticket rates. That only affects the London Transport Executive to a comparatively small extent, does it not; it is £0.15m. The great part of your increased yield comes from the ordinary fares, which have been put at £2.5m., and the season-tickets, within existing powers, £0.14m., and under the newly authorised powers, £0.15m.?—Yes.

884. The season-ticket proposal is going to be that you should have your new 10 per cent. increase at the full miles, but that you should introduce a half-mile charging throughout. (LCC tables 1 to 4 inclusive put in.) Table LCCI gives you mileage, with half-miles, and then the existing rate, which is set out in column 2, and then the proposed rate—that is, the rate temporarily in force—giving you in column 4 the increase of column 3 over

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[Continued]

column 2. Column 5 is what we are putting forward; essentially the effect is that we put in a charge for half-miles, which is half the difference of the charge for the full mile on your proposal. That is £1 for one mile and £1 7s. 0d. for two miles; on your Scheme that would be £1 7s. 0d. for 1½ miles, which would count as two miles, but on our Scheme it would be £1 3s. 6d. for 1½ miles.—It would be reduced to £1 3s. 6d.?

885. Yes, so that at the full miles our Scheme would be as is now in force under the temporary order.

(President): What does the column 2 heading mean?

(Mr. Goff): That means before the increases.

(President): It may be the pre-Section 23 actual?

(Mr. Goff): It is the rate which was actually obtained before the 3rd June and before the 10 per cent increase was put on.

(President): You say "the rate obtained," but the rates which were chargeable were not in every case the rates which were in fact charged. Is column 2 the rate which were charged before the temporary increases, or were chargeable at the old maximum?

(Mr. Goff): Chargeable, Sir.

(President): At the old maxima?

(Mr. Goff): Yes, Sir. I am sorry about the delay; these tables did not reach me as early as I had hoped, and there seems to be a little confusion. Perhaps you would allow me a few moments?

(President): Yes, certainly.

886. (Mr. Goff) (To the witness): Column 2 was the pre-1st January maxima; you remember there was then power to increase after that date, but it was not immediately exercised; there was 5 per cent and then a further 5 per cent temporarily. Column 2 is the pre-January maxima permissible and column 3 is what is now being charged as a result of those increases.

(President): We in fact get the actuals for season-tickets in Exhibit RMR 7.

887. (Mr. Goff): Yes, Sir; I hope that has cleared that up. (To the witness): What we are proposing to do is throughout to adopt column 3 at the full miles, but at the half-miles to charge half the difference between any mile and the immediately previous mile.—Yes, if I may just clear my mind on the subject, column 2 is also the actual season-ticket rates which were being charged before the Section 23 Application?

888. Yes, I think they were in some cases, but there may be some which were not permissible.—So these proposals have the import that we should charge less in future in some cases than we were charging before the Section 23 Application?

889. Yes, I think that is so, but I think that is only in the first few low miles, and afterwards it is not so; I think it is only in the first three. You will see that that scale is carried up to 50 miles. Should I put any questions on table LCC 2 to Mr. Robbins, or would you like to deal with it now? It is merely a comparison table.—I think Mr. Robbins ought to deal with this.

890. Then I shall put that to him, and similarly table LCC 3. Table LCC 4 is a table which shows what we say would be the difference in effect continuing as it now is and confirming it with modifications; that is to say, adopting our proposals as to seasons for the half-mile stages and as to ordinary fares on the buses and the electric railways, keeping your increases from 1s. 0d. and upwards, but restoring the 1½ and 2½ and bringing in a 3½. Would you look at table LCC 4, which seeks to put in table form what I have just been suggesting; have I made it quite clear?—I think you are putting up some alternative proposals with a view to coming back to SWH 6, where the financial effect will be shown?

891. Yes, and the proposal I am putting up is in two parts. One part is to modify the season-ticket increases in the way that you see in table LCC 1 by importing the half-miles, which would continue what you now have at the

full miles and would give you half the desired increase at the half-miles; the other part is to deal with the ordinary fares, and the way we are proposing to deal with those is in LCC 4. In column 1 we have brought in a 1½, a 2½ and a 3½ and then we get the existing in column 2; those are, as appears from note (a), the existing charges prior to the "Emergency" increases which were made in April. Do you follow that?—Yes.

892. So at that stage there was the minimum of 3d., and there was 5d. for 1½ miles, 6d. for 2 miles, 8d. for 2½, 9d. for 3, but there was not a 3½, so we put that in to make the table complete, at the price for four miles, so you get two 11d.'s; then we go on to full stages thereafter. Then you get the BTC in column 4, and the LCC comes in the middle. There again you get the 3d. minimum, and you get an entry under 1½ on this, merely to make the thing complete; it is the figure for two miles.—And it is not the figure we are charging now.

893. Yes, in column 4.—In column 3, the figure at 1½ miles.

894. I jumped to column 4 because the L.C.C. has put one in. 4 is what you are charging, and it does give a figure at 1½, 2½ and 3½ although you have no such charge, the figures being the figures for 2, 3 and 4 miles. You quite understand?—Yes.

895. Then if you come back to column 3, which is what we are proposing, that is to have a minimum of 3d., then restore the 5d. fare for 1½ miles, and you get 6d. at 2 miles and you restore the 8d. fare at 2½ miles.—Yes.

896. And it would be 9d. for 3 miles. So far we are merely carrying out what I suggested, namely that you should not make a change at abolish the half mile stages.—Yes.

897. Then at 3½ miles we introduce something new, which is done to avoid double booking.—Yes.

898. Then we pick up the scale and if it is exactly the same as yours.—Yes.

899. Then the rest of the detail shows the effect of the yield from your scale as it is now in force and on our proposals, and the figures are taken from Mr. Robbins' tables. I take it you would rather I dealt with that matter with Mr. Robbins?—As to the yield, but perhaps I could ask you what the figures mean. Does it mean that the London County Council estimate that if their proposals are given effect to the yield will be about £1 million a year, that is the total of columns 5 and 7 or 7a, as compared with £2.4 million?

900. It is given in the summary. I will explain 7a in a moment, but taking 7 and not 7a, the L.C.C. proposal is a £1,376,000 yield, and your scheme as now temporarily sanctioned is £2,847,000.—Yes, I see.

901. Taking 7a, your figure remains the same because 7a does not affect the present proposals, but the L.C.C. yield is slightly reduced from £1,376,000 to £1,362,000. The reason for the difference is that you will observe in the 3½ mile stage there is a yield because our scheme involves some increase, though not as big an increase as you would have because we increase from 9d. to 11d. whereas you would increase from 9d. to 1s. 0d., so there is a yield but it is not as large a yield, and we have exactly split, as nearly as possible, in half the yield which you show from the increase of the 4 miles to 1s. 0d. The increase which you show according to Mr. Robbins' table and the increase of the 4 miles to 1s. 0d. is £83,000, and we say that by increasing partially at 3½ miles and wholly at 4 miles the yield will be half that amount.—That I think is a matter for Mr. Robbins.

902. I was just explaining 7a. 7a is a different figure for the same subject matter, because instead of splitting it in half we have split it in certain proportions which Mr. Robbins might or might not think appropriate. That is a matter which I will put to him, but you understand the table, do you not?—Yes.

(President): I do not. What do the hyphenated items in the first five lines of column 5 mean?

(Mr. Goff): That there is no yield because there is no change.

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[Continued]

(President): There is no yield from a change because there is no change?

(Mr. Goff): Exactly.

(President): And that is the explanation of all the cases where no figures are inserted?

(Mr. Goff): Where there is merely a blank and not a hyphen you will see that the figure which next appears is bracketed and, therefore, governs all those spaces; that is the total for those stages. But where there is a hyphen there is no change and no yield. One can see that quite readily because the B.T.C. scheme has abolished the 1½ miles and, therefore, you have an increased charge for a mile and a half because you have to pay for 2 miles and, therefore, there is an item which appears as a yield in the B.T.C. column No. 6, and as we are proposing to revert to the 1½ miles there is no increase at 1½ miles and therefore there is no yield in the L.C.C. column.

(President): It represents, in the case of London Transport Road Services, about £1 million in a full year?

(Mr. Goff): Yes. But then, of course, we come back to S.W.H.6, because we are putting this forward as a scheme to run for the rest of the year and therefore one would have to take a proportion, because they will have had the full benefit of the change from the time they made the changes, I think in June, until, if we succeed on this application, the time when they revert to this scale.

(President): We might have a kind of thermometer scale you go up for a bit and then, if it was going too well, you down the fares for a bit, all adjusted so as to break completely even on the eve of New Year's Day.

903. (Mr. Goff): So far it has been a thermometer in which the temperature has always risen; we are suggesting that the time has come when the thermometer might fall. There is a rather complicated calculation which should have been in one of these tables, but I will put it to the witness and see that it is put in tabular form so that the Tribunal might have it. (To the witness): If we now go back to S.W.H.6, column 4 gives the estimated yield from an increase in charges at £1.2 million instead of £1.8 million if we adopt the scheme which I have been putting forward with the season ticket change and the ordinary fares charge; and, therefore, the surplus is reduced from £1.8 million to £1.2 million. So that table is showing that, with the L.C.C. proposals and Central Charges at £6.5 million, there would in fact be a surplus of £1.2 million.—May I ask at what date the L.C.C. proposals are assumed to have come into effect?

904. We calculated it on the footing that they would come into operation on the 1st August, which is a convenient date which has been taken to enable the Tribunal to decide on the question and make its order for the thing to be put into force. Now the alternative under "B" in S.W.H.6. The alternative suggested is that all the increases which have been temporarily authorised, both in season tickets and in ordinary fares, should be discontinued altogether as from that date, so that you would have the advantage of having had them increased from June until the 1st August and then you would revert to the position you were in before. That is quite clear to you as a proposition, is it?—Yes, although I cannot quite see why that proposition should bring us in anything in a future year.

905. You are referring to column 8 "B"?—Yes.

906. It brings you in a small amount because you have certain unused powers and this is allowing for them. You had, within existing powers, an increase in seasons of £0.14 million.—Yes, I understand.

907. I think that could have been put at £0.2 million because you had another increase of £0.05 million and together they would give you £0.19 million, but we have carried it to £0.1 million and not £0.2 million. That explains that point, does it?—Yes.

908. What we say on that basis is that the estimated yield of increases in charges would be £0.7 million and the surplus at the proposed charges would, therefore, come down to £0.7 million. So that the estimated yield would then be £0.7 million and that would include a surplus of

£0.7 million, because until there is any increase at all there is an exact balance if you take Central Charges at £6.5 million. In line 9 the account has balanced as the total under receipts is £6.5 million and the Central Charges are £6.5 million and you have no surplus and no deficit; so line 11 is the same as line 10. As to the way in which we arrive at the £1.2 million, that is a calculation based on your having had the full advantage until the 1st August and a reduced advantage thereafter. Would you wish me to put that to you or to Mr. Robbins?—I think perhaps it had better be put to Mr. Robbins.

909. Assuming Central Charges were £6.5 million—and we have canvassed that at some length, but assuming that were the right figure and the Tribunal were with me on that—the estimated yield of increases in charges, the £1.8 million, assuming our apportionment of the £1.8 million is correct, our main proposal would give you a surplus of £1.2 million after providing for Central Charges in 1962 and not a future year. Assuming that the £6.5 million is right, would you not agree that a surplus of £1.2 million over the actual year 1962 would be a perfectly proper figure to adopt having regard to the fact that there is a vital change about to come, possibly on the 1st January, 1963?—No, £1.2 million is clearly inadequate on any standard.

910. Why?—There is one very clear reason, which is that a White Paper has laid down a standard of performance for nationalised undertakings which says that they shall earn at least enough revenue surplus to enable them to lift their depreciation provisions based on historic cost to replacement provisions, and that in our case in 1962 would require £1.7 million. Therefore £1.2 million is not an adequate surplus.

911. If you get a surplus, either of £1.8m. as you seek or £1.2m., it will not, in fact, after the new scheme, be available for that purpose; it will not represent any reserve which the London Board will take over?—It will represent cash.

912. Cash which will merely have reduced the overall deficit of the British Transport Commission.—Cash does not reduce deficits, cash fills coffers.

913. Will there be any cash to fill anything that will go to the new Board out of this £1.8m. if you earn it in 1962?

(President): Mr. Goff, you know, assuming there was not a new Board, the surplus cash does not go to the London Transport Executive now.

(Mr. Goff): No, it goes to the British Transport Commission as they stand.

(President): Yes.

(Mr. Goff): Of course, that is one of the complaints that we are making, that to say we must have these reserves for this purpose is illusory in this set-up.

(President): What you are saying is that as a result of a change, which everyone knows is going to happen, if you make a surplus it will not go to you.

(Mr. Goff): It emphasises the position.

(President): The observation I was making was that if there was not going to be a change and there were the same surplus it would not go to London Transport.

(Mr. Goff): I accept that. But, of course, in 1961 one of the points I made—and I make it again—as a criticism of this argument that you must have reserves for this and that other purpose was that it is unreal. What I am submitting is that it is still more unreal when you have got this impending change; but I agree with what you are saying, that has always been a point we have made.

(President): But if that point had been made about every activity of the Commission none of them would have aimed at making any working surplus. Each of them would have been satisfied to say "It won't go to us. Let us estimate our charges so that the docks produce the full Central Charges and a bit over. Why should we bother."

(Mr. Goff): One could say that in regarding this matter of balance one has got to realise that where you have an undertaking which is a whole you have to discount the

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argument as to what reserves any part of it requires, but that is the position when the whole thing is going to continue. What I shall submit is when the thing is going to change altogether, then it becomes a horse of a different colour and, if I may mix my metaphors, the point and not the horse emerges.

(President): Your argument would equally apply to the calculation of historic depreciation, would it not? It is a part of the receipts which you allocate for future use. It will not go into the coffers of the London Transport in the future, just as it has not gone into their coffers in the past because they have not got any coffers.

(Mr. Goff): I am not quite sure, Sir, that I am following exactly what you are putting to me.

(President): I thought you were saying: Don't let us bother about lifting depreciation from its historic level to replacement level because it will not do you any good, you are going to come to an end and it will go into the general coffers of the Transport Commission.

(Mr. Goff): If you please, yes.

(President): That is equally true about the historic depreciation provision, is it not? Depreciation is merely provision; you put your finger on part of your receipts and say "I must keep that by because I shall want some money for the future." It is not an expense in the sense in which wages are an expense, it is a reserve. However, think it over and tell me what you think about it.

(Mr. Goff): At the moment, if I may, I will continue my cross-examination, because it is a matter of argument.

(President): Yes.

914. (Mr. Goff): (To the witness: I want to ask you one or two very small points of detail. At Question 283, which you see towards the bottom of the right-hand column of page 28, you were asked this: "I would like you to break down that £1.7m. into its constituents. (A) It breaks down naturally into two parts. First of all, at the beginning of the year we gave an increase of 2d. per hour to our electrical supply staff; those men follow the terms and conditions of the outside electrical supply industry, and the increase that we gave them was in accordance with a similar increase given by the industry. It cost £100,000 a year. The main part of the group of increases aggregating £1.7m. was an increase varying in amount to virtually the whole of our wages staff and effective from the 1st April, 1962. The principal groups of staff concerned were numerically the drivers and conductors of course, who received about 6s. 6d. per week. The semi-skilled and unskilled staff at the garages, who normally participate in any increases given to the drivers and conductors, were given sums ranging from 5s. 0d. to 5s. 6d. per week. But all grades of staff, both road and rail, were given increases dating from that time—the beginning of April—which can be expressed in round terms as an increase of about three per cent. Those increases in the aggregate cost £1.6m. per year." Can you break down that £1.6m. a year at all for us and show how much was the result of the increases for drivers and conductors and how much for the semi-skilled and unskilled staff?—Yes. The £1.6m. a year consists as to £700,000 of an increase for the drivers and conductors, and as to £100,000 for garage, semi-skilled and unskilled maintenance staff.

915. That is only £800,000. I wanted particulars of the £1.6m.—Those are two of the principal items. Other principal items are £250,000 for the railway conciliation and classified supervisory staff—those are principally speaking station and depots; £150,000 for the road and rail workshop staff; £100,000 for railway clerical and booking-office staff, and then we get into rather small figures. I do not know how much further you want me to go?

916. I am not concerned with the small items, but can you help a little further about the £700,000 as the increase for drivers and conductors, because we have been given some unofficial figures which we find difficult to reconcile. Is that the 6s. 6d. increase which comes out of £700,000?—Yes.

917. How many men, to the nearest round figure, are involved?—The number of men involved is estimated to be 32,300; that is a figure based on the number of individuals we expect to have available for work, on an

average, in 1962. But for this purpose I must uplift that, because, as I explained on the last occasion, the individuals that we have on the pay roll are working more than a full standard week by reason of staff shortage, and to give expression to that factor I have increased the number of individuals from 32,300 to 35,100.

918. Presumably if you get more staff so that you in fact have 35,100, the answer would still be the same because the 32,300 would do less work.—The answer would be less if we had 35,000, because they would not get the benefit of so much overtime.

919. We find it difficult, as a matter of arithmetic, to work that out.—That is not the end of the story. As you remember, perhaps, from last time, the increase of 6s. 6d. is an increase in basic wages only. The driver and conductor always earns more than the basic wage except during the time when he is on holiday; he always earns, on an average, one-seventh more than his basic wages by reason of the additions that are made to basic rates for shift working and the like.

920. Your 35,000 at 6s. 6d. plus an increment of one-seventh ought to work out at approximately £700,000?—It works out, in fact, at £672,000. There is yet a further addition to make it up to my figure of £720,000, namely the effect of this increase on the cost of overtime, and the effect of this increase on the cost of overtime is estimated to be 49,000. That, I think, will give you the £720,000 that I quoted.

921. I am instructed that the majority of the residents of Southwark use public transport to and from their work, to places of amusement and local recreation and for shopping purposes. Are you in a position to express any view about the statement?—No.

(President): Are the Ministry of Transport inhabitants treated as being part of the Borough for this purpose? There are a large number of them around Southwark.

922. (Mr. Goff): The Borough, in fact is a deficiency area for open spaces, is it not?—I cannot answer that.

923. Without answering that in a technical form, are you in a position to say whether you would agree that it is an area particularly dependent on public transport for going to parks and open spaces?—If they are dependant on public transport for one purpose presumably they are dependant on public transport for the other; but I do not know why they should be particularly dependant on public transport for the purpose of going to a selected number of places.

924. Because of the lack of open spaces in Southwark, a combination of the two things. There are people who particularly use public transport because of their financial position and are dependent on it because they have not got the open spaces there.—Then there is an argument for providing more open spaces in Southwark, as I understand it.

925. And also an argument for not increasing the cost to them?—I do not know; I cannot answer that question.

926. Do you agree that the imposition of higher fares causes great hardship to the travelling public?—No, I do not agree with that.

927. And that it has a directly adverse effect on the cost of living?—Any increase in the price of anything which enters into the calculation of the cost of living presumably increases the cost of living index, yes.

(President): Does anybody else wish to cross-examine?

(Mr. Noakes): No questions, Sir.

(Mr. Collard): No questions.

(Mr. Machin): No questions.

(Mr. Fay): May I defer my re-examination until I have had an opportunity of studying the documents which we have been presented with?

(President): Yes.

(Mr. Fay): Would my learned friend now like Mr. Winchester?

(Mr. Goff): I do not know whether you would like me to start with Mr. Winchester at this hour, Sir?

(President): No, I think we will adjourn until tomorrow.

(Adjourned until tomorrow morning at 10.30)

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[Continued]

Written Statement put in by the County Borough of Southend-on-Sea

Statement on behalf of the Mayor Aldermen and Burgesses of the County Borough of Southend-on-Sea to the Court of the Transport Tribunal

In accordance with the Notice of Objection lodged on their behalf on 10th May, 1962, the Mayor Aldermen and Burgesses of the County Borough of Southend-on-Sea (hereinafter called "the Southend-on-Sea Corporation") oppose this application on the following grounds and make observations upon it as follows:—

1. The maximum rates which the proposed permanent alterations to the British Transport Commission (Passenger) Charges Scheme, 1959, as altered by Order dated 14th June, 1961 (hereinafter called "the altered 1959 Scheme") would enable the Commission to charge in respect of the following are excessive and unreasonable:—
 - (i) Carriage of passengers by rail upon the London, Tilbury and Southend Lines, maximum second class single fares;
 - (ii) Carriage of passengers by rail, maximum second class season ticket rates.
2. The distance between Southend Central and Fenchurch Street on the London, Tilbury and Southend Lines is 36 miles.
- 3(a) The maximum second class single fare between Southend Central and Fenchurch Street authorised by the altered 1959 Scheme with effect from the 1st day of July, 1961 was 6/2d. By the temporary amendment under the Order dated 26th March, 1962 (which amendment the Commission propose should be made permanent) this maximum was increased to 6/7d. with effect from 1st April, 1962. The second class single fare of 6/7d. was introduced by the Commission in fact on 3rd June, 1962.
- (b) The maximum second class single fare between Southend Central and Fenchurch Street was 3/9d. in October 1950, and the proposed permanent authorised

	1 week	1 month	3 months	6 months	1 year
Altered 1959 Scheme with effect 1st January, 1962	£2 5s. 6d.	£8 5s. 0d.	£22 6s. 0d.	£44 12s. 0d.	£89 4s. 0d.
Temporary Order of 26th March, 1962 with effect 1st April, 1962 but introduced in fact on 3rd June, 1962 ...	£2 8s. 0d.	£8 13s. 0d.	£23 8s. 0d.	£46 16s. 0d.	£93 12s. 0d.
Percentage increase	+5.5%	+4.85%	+4.93%	+4.93%	+4.93%

- (b) The annual second class season ticket rate between Southend Central and Fenchurch Street was £24 19s. 0d. in 1938 and £31 2s. 0d. in 1946, and the proposed permanent authorised maximum of £93 12s. 0d. represents an increase of 275% and 201% respectively.

Under the British Transport Commission (Passenger) Charges Scheme, 1957, the annual second class season ticket rate between Southend Central and Fenchurch Street was £61 14s. 0d. and the proposed permanent authorised maximum of £93 12s. 0d. represents an increase of 51.7% in the space of five years.

- (c) The Southend-on-Sea Corporation contend that the increases referred to in paragraph 4(a) above within a period of some six months are excessive and unreasonable.
- (d) A very large number of residents in the County Borough of Southend-on-Sea work in London and travel there daily by rail, and the proposed permanent authorised maximum annual season ticket rate between Southend Central and Fenchurch Street of £93 12s. 0d. represents a very real financial burden to such residents. In this connection, it must be pointed out that the Government have seen fit to pursue a policy of restraint with regard to salaries and wages and

maximum of 6/7d. represents an increase of 75% within a period of twelve years.

- (c) The Southend-on-Sea Corporation contend that the increase from 6/2d. to 6/7d. (referred to in paragraph 3(a) above), being an increase of 6.75% within a period of one year, is excessive and unreasonable.
- (d) Although it is appreciated that cheap day return fares are not regulated by the Scheme, by their nature they bear some relationship to the second class single fares and any variations in the authorised maximum second class single fares tend to be reflected in the cheap day return fares. Thus, when the second class single fare between Southend Central and Fenchurch Street was increased from 6/2d. to 6/7d. on 3rd June, 1962, the cheap day return fare was at the same time increased from 8/- to 9/-, an increase of 12½%.
- (e) Southend-on-Sea is a seaside resort and its popularity can be gauged to some extent by the fact that the total number of passengers (excluding season ticket holders, but including purchasers of ordinary return tickets, cheap day and other special tickets) arriving at all stations within the County Borough of Southend-on-Sea during the 1961 summer season, that is to say between the 1st April, 1961 and 31st October, 1961, was 3, 903, 528. The total number of visitors to Southend-on-Sea during this period is estimated at 6,001,699, so that it appears that approximately 65% of the visitors arrived by rail.
- The Southend-on-Sea Corporation fear that the increase in the maximum second class single fares on the London, Tilbury and Southend Lines (with a similar increase in fact in the second class single fare between Liverpool Street and Southend Victoria) and the consequential increases in fact in the cheap return fares to Southend-on-Sea will discourage visitors from coming to Southend-on-Sea.
- 4(a) The maximum second class season ticket rates between Southend Central and Fenchurch Street authorised by the altered 1959 Scheme with effect from 1st January, 1962, and as increased by the temporary amendment under the Order dated 26th March, 1962 (which amendment the Commission propose should be made permanent) are as follows:—

have sought to limit any increases to 2½%. However, as set out in paragraph 4(a) above, the Commission propose an increase of 5.5% in respect of the weekly second class season ticket rates and 4.93% in respect of the annual second class season ticket rates over those introduced on 1st January, 1962. Thus, the increases in season ticket rates are outstripping increases in wages.

- (e) It will be seen from—

- (i) the Proceedings of the Transport Tribunal (Applications of the British Transport Commission, 1960 No. 2 and 1960 No. 5) at pages 164 and 165, paragraphs 2091 to 2094, that as a result of the increases in season ticket rates authorised by the Order dated 8th July, 1959 the estimated loss of traffic on London lines was 3½%;
- (ii) the said Proceedings at page 165, paragraphs 2095 to 2096 and Exhibit BH27 on page 55, that as a result of the increases in season ticket rates temporarily authorised by the Order of 14th April, 1960, the estimated loss of traffic on London lines was 3%;
- (iii) the said Proceedings at page 165, paragraph 2097 and Exhibit BH29 on page 57, that as a result of

19 June, 1962]

[Continued]

the increases in season ticket rates temporarily authorised by the Order of 21st November, 1960 (and permanently authorised by the Order of 14th June, 1961 from 1st July, 1961) the estimated loss of traffic on London lines was 2% ;

- (iv) the said Proceedings at page 165, paragraph 2098 and the said Exhibit BH29, that as a result of the increases in season ticket rates permanently authorised by the Order of 14th June, 1961, from the 1st day of January, 1962, the estimated loss of traffic on London lines was 3% ;
- (v) Exhibit RMR9 in the current proceedings, that as a result of the increases in season ticket rates temporarily authorised by the Order of 26th March, 1962 (which the Commission now propose should be permanently authorised) the estimated loss of traffic on London lines is approximately 3%.

Thus, since November 1959 when the increases referred to in sub-paragraph (i) above were introduced, the Commission estimate a loss of traffic in respect of season tickets on London Lines in excess of 14½%. This is a loss which the Commission should not regard with equanimity and which adds point to the contention that the Commission are pricing themselves out of the market and are thereby merely increasing their ultimate difficulties.

- 5. There is little doubt that the rapid succession of large increases in season ticket rates and other fares, coupled with the series of failures in the services on both the Fenchurch Street and the Liverpool Street lines from Southend, have tended to increase the ill will felt by the public towards British Railways and cause more and more people to find other means of transport, thereby materially contributing to increased congestion on the roads.
- 6. No provision is made in the proposed permanent alterations to the altered 1959 Scheme to ensure that the maximum second class season ticket rates between Liverpool Street and Southend Victoria will remain no higher than those between Fenchurch Street and Southend Central.

In the past, the Commission have equated the fares between Southend and the two London stations. If the fares were not so equated, as the distance between Southend Victoria and Liverpool Street is 42 miles, the proposed maximum annual second class season ticket rate between Southend Victoria and Liverpool Street would be £102 12s. 0d. as compared with the proposed maximum annual second class season ticket rate of £93 12s. 0d. between Southend Central and Fenchurch Street.

- 7. With all these considerations in mind representation is made on behalf of Southend-on-Sea Corporation that the following variations be made to the Order applied for:—

- (i) That the item headed "Second Schedule" in the Schedule to the said Application and the proposed scale of maximum second class single fares set out in Appendix "A" annexed thereto be deleted and not substituted for the existing scale in the Second Schedule to the altered 1959 Scheme or that the said proposed maximum second class single fares be substantially lowered.
- (ii) That the item headed "Fifth Schedule" in the Schedule to the said Application and the proposed scale of maximum second class season ticket rates set out in Appendix "C" annexed thereto be deleted and not substituted for the existing scale in the Fifth Schedule, Part 2, to the altered 1959 Scheme or that the said proposed maximum second class season ticket rates be substantially lowered.
- (iii) That any consequent variation to give effect to variations (i) and (ii) above be made.

The Southend-on-Sea Corporation represent the interests of the inhabitants of, and visitors to, the County Borough of Southend-on-Sea.

Dated this 18th day of June, 1962.

ARCHIBALD GLEN

Town Clerk

19 June, 1962]

[Continued]

EXHIBIT AD 1

TABLE SWH 1

BRITISH RAILWAYS—OUTSIDE LONDON

BRITISH TRANSPORT COMMISSION

SEASON TICKET REVENUE

CENTRAL CHARGES

COMPARISON OF ANNUAL FORECASTS WITH ACTUAL RESULTS

1960

	Forecast £000's	Actual £000's	Difference £000's
1. Original Budget for year 1960 (as at 1 Nov., 1959 level of charges—see page 30 of 1961 Inquiry)	7,660		
Add yield in 1960 of increase in charges on 8 May, 1960 ...	140		
Revised forecast for 1960 ...	7,800	8,034	+234
2. Original Budget for year 1961 (as at 8 May, 1960 level of charges)	8,882		
Add yield in 1961 of increase in charges on 1 Sept., 1961 ...	70		
Revised forecast for 1961 ...	8,952	8,742	-210
3. Original Budget for year 1962 (as at 1 Sept., 1961 level of charges)	9,969		
Add yield in 1962 of increase in charges on 3 June, 1962 ...	350		
Revised forecast for 1962 ...	10,319		

This Table is a continuation of Table SWH 4 (Minutes, February, 1959, page 219) and of Table SWH 1 (Minutes, February, 1961, page 99), but slightly modified so as to exclude items in respect of compensation of staff and Miscellaneous Receipts. (See Q 2655, Minutes, February, 1961, page 185)

1960
£'000

(A) Charges for service of capital

1. Interest on stock and other loans	92,726
2. Capital redemption	3,269
3. Amortisation of stock discount	564
4. Stock issue expenses	—
5. Management of stocks and loans	221
6.	96,780
7. Less interest received	1,885
8. Sub-total	94,895

(B) Other items

9. Central administration	2,245
10. Compensation of staff—now excluded	(18)
11. Winding up transferred undertakings	—
12. Profit or loss on sale of investments	—
13. Miscellaneous receipts—now excluded	(Cr. 11)
14. Grand total	97,140

Less Interest on advances (Special Account):

15. (i) for capital expenditure (B.R.)	18,000
16. (ii) for deficits (B.R.)	14,559
17.	32,559
18. Net	64,581

19 June, 1962]

[Continued]

TABLE S.W.H. 2

BRITISH TRANSPORT COMMISSION

LONDON TRANSPORT EXECUTIVE

(A) Allocation of Central Charges in ratio to capital invested in L.T.E. to total capital invested 1960.

(B) L.T.E. Financial Results in 1960.

(This Table is a continuation of Table S.W.H.4 (Minutes, February, 1959, page 220) and of Table S.W.H.2. (Minutes, February, 1961, page 99, in slightly altered form).)

	At 31st December 1959 £M	At 31st December 1960 £M	Mean for Year £M
<i>(A) Capital Invested: London Transport Executive</i>			
1. Fixed Assets	146	155	
2. Stores and Materials	4	4	
3. Accumulated deficit	13	11	
4.	163	170	
5. Less Balance of Maintenance Equalisation A/c	10	10	
6. Net capital invested (except in current assets, etc.)	153	160	
7. Current assets less current liabilities (—)	— 4	— 5	
8. Net capital invested	149	155	
9. Mean for year			152
<i>B.T.C.</i>			
10. Fixed Assets	2,073	2,192	
11. Stores and Materials	107	108	
12. Accumulated deficit	399	427	
13.	2,579	2,727	
14. Less Balance of Maintenance Equalisation A/c	216	202	
15. Net capital invested (except in current assets, etc.)	2,363	2,525	
16. Current assets less current liabilities (—)	—22	—31	
17. Net capital invested	2,341	2,494	
18.			2,417
<i>Less Mean advances:</i>			
19. Capital purposes (B.R.)			325
20. Deficit (B.R.)			298
21. Mean for year			1,794
22. Total Central Charges (Table S.W.H. 1)			64.6
23. Apportioned to L.T.E. in ratio to capital invested (Line 9, to Line 21)			5.5
<i>(B) London Transport Executive</i>			
24. Net receipts		1960 £M	
25. Central Charges (Line 23)		7.85	
26. Net Surplus for year		5.5	
		2.35	
27. Accumulated deficit	1959 £M Dr. 13.1	Dr. 10.76	

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